Austria ... Sch 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1,300	S. Arabia ... Rls 5.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... L£ 8.00	Sweden ... Skr 8.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rm 4.25	Taiwan ... NT $35
France ... FFr. 6.00	Mexico ... Pes. 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr. 6.00	U.S.A. ... $1.00
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Star wars: what the technology means, Page 15

World news

Damascus supplies tanks to Shias

Syria supplied Amal, the mainstream militia of the Shia sect in Lebanon, with up to 50 T-54 tanks, in a move probably aimed at pressing the Maronite Christians into agreeing to constitutional and political reforms.

Amal has not previously possessed tanks but is the largest Lebanese militia with an estimated 6,000 men under arms. The tanks will give the movement military superiority over the Christian Lebanese forces. Page 16

Ambassador recalled

South Africa recalled its ambassador-designate to the U.S. for consultation. A foreign affairs spokesman in Pretoria declined to give reasons for the recall. Page 6

Tutu refusal

Bishop Desmond Tutu, last year's Nobel Peace Prize winner, refused to renounce civil disobedience in the fight against apartheid. Page 6

Okello sees Nyerere

Uganda's new head of state, General Tito Okello, flew to Dar es Salaam for talks with Tanzania's President Julius Nyerere. The opposition Democratic Party is backing the new regime, but the National Resistance Army rebels are not. Page 6

Wine arrests

Austrian police arrested four more men, including a West German, in connection with the country's wine-doctoring scandal, lifting the number of detentions to 20.

Sikh shooting

Shooting broke out in Amritsar between supports and opponents of a Punjab peace plan during a meeting in the Golden Temple of moderate Sikhs who back the agreement signed last week. Page 6

U.S. base review

Spain wants to start reviewing the position of four U.S. bases on its soil in October to bring them into line with the new strategy implications of Spanish membership of Nato.

Afghan rebels killed

Soviet bombers killed 120 Afghan troops in an operation to attack guerrillas. Rebels launched a night-long attack on Kabul airport, according to Western diplomats.

Air safety accord

Japan, the U.S. and the Soviet Union agreed in Tokyo to set up a communications system to assure the safety of civil aviation over the northern Pacific.

BBC film withdrawn

The BBC will not show a film about political violence in Northern Ireland which includes an interview with a man said to be the chief of staff of the Provisional IRA. The withdrawal of the film follows a protest by Prime Minister Margaret Thatcher. Page 8

Bomb in Tehran

A bomb which exploded in Tehran outside a public telephone killed three people and injured five others.

Funeral delay

France is keeping for two weeks the body of Shahnawaz Bhutto, found dead in Cannes two weeks ago, to test for poison. In Pakistan supporters of his executed father, former Premier Zulfikar Ali Bhutto, plan to defy a travel ban to attend his son's now delayed funeral in the province of Sind.

Israeli alert

Israeli police were put on alert against possible retaliation, and the West Bank town of Nablus was under curfew after a Jewish civilian was shot dead. Page 6

Business summary

Britoil issue to raise £434m

THE UK Government will receive about £434m ($616m) from the sale of its remaining 49 per cent in Britoil, the world's largest independent oil exploration company. The shares are being offered at 185p compared with the closing price of 200p in London. Page 8

WALL STREET: The Dow Jones industrial average closed 2.24 up at 1,346.10 Page 38

LONDON was bolstered by hopes of a further cut in base rates. The FT Ordinary index rose 3.6 to 936.0. Page 38

TOKYO stocks were lower and the Nikkei Dow market average plunged 321.53, its second largest ever one-day loss, to close at 12,269.89. Page 38

DOLLAR showed small mixed changes in London, falling to DM 2.817 (DM 2.819) and FFr 8.57 (FFr 8,595), but rising to SwFr 2.2955 (SwFr 2.288) and Y237.3 (Y237.1). On Bank of England figures the dollar's exchange rate index was unchanged at 136.8. Page 31

STERLING was weaker in London, losing 60 points against the dollar to $1.423. It also declined to DM 4.0 (DM 4.03), FFr 12.175 (FFr 12.285), SwFr 3.2575 (SwFr 3.27) and Y336.75 (Y338.5). The pound's exchange rate index fell 0.3 to 84.4. Page 31

GOLD fell $2.50 on the London bullion market to $325.75. It was also lower in Zurich at $324.90. Page 30

In New York the Comex August settlement was $324.00.

BRAZIL'S inflation rate for July was 8.9 per cent, the highest under the Sarney government, but the target of 180-190 per cent for the year may be met.

WORLD BANK recommended a 10 per cent devaluation of Tunisia's dinar to help boost exports.

CHINA'S economy is still expanding, with industrial output almost three times greater than planned. Page 6

NATIONAL WESTMINSTER, the UK's second-largest bank, boosted its pre-tax profits by 20 per cent to £354m ($503m) in the first half of the year. These first results in the banks' interim reporting season were well below expectations. Page 8; Details, Page 23; Lex, Page 16

BRIDGESTONE, Japan's largest tyre maker, lifted pre-tax profits 15 per cent to Y21.12bn ($8.9m) from Y18.37bn in the half year to June 30. Page 20

SWISSAIR, Switzerland's national airline, expects a further rise in earnings for the current year after it recorded an almost 8 per cent increase in 1984 to SwFr 60.7m ($26.6m).

MANNESMANN chief executive Franz Josef Weisweiler died yesterday, aged 57, after a brief illness. Page 17

HANSON TRUST is to sell Interstate United, its U.S. food service offshoot, to TransWorld for $92.5m. Page 23

BANKAMERICA, which reported a $338m second quarter loss, announced it was cutting 2,000 jobs at its world banking division as part of a restructuring move designed to improve profitability.

XEROX, the U.S. office equipment group, reported a 35 per cent gain in second quarter earnings to $118m against $88m previously. Page 17

ROBERT BOSCH, the West German electricals and vehicle components concern, has merged its two manufacturing companies in Spain to help streamline operations and cut costs. Page 17

HILL SAMUEL New Zealand, the merchant bank, has joined a leading New Zealand stock broker, Francis, Allison, Symes and Company, to set up an investment bank. Page 20

Japan will expand home market to ease trade tension

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

MR YASUHIRO NAKASONE, Japan's Prime Minister, yesterday, promised to expand the domestic economy in a further attempt to resolve trade friction and forestall protectionism.

In a statement and a televised press conference accompanying the announcement of Japan's new three-year "import action programme," Mr Nakasone said: "I believe efforts to expand domestic demand are required together with market liberalisation."

The package includes 88 measures designed to ease import procedures, promises to raise the number of government contracts awarded through competitive bidding, a relaxation of interest rate controls, and an easing of regulations on weight limits and crew numbers for commuter aircraft, as well as the elimination or reduction of tariffs on about 1,850 items and a pledge to discuss market access for 22 agricultural products subject to quotas.

Reacting to the package in Washington, Mr Larry Speakes, the White House spokesman, called the measures "encouraging" and cited the capital market liberalisation as progress "we have long encouraged." National trade associations met yesterday to consider the measures, but those prepared to comment generally expressed scepticism.

The U.S. trade deficit jumped to $13.4bn in June, its highest level since the $13.8bn deficit recorded in July 1984. The increase was spurred by a surge in imports from Japan and a sharp rise in oil imports. The news brought another plea from Commerce Secretary Malcolm Baldrige for a further substantial drop in the value of the dollar. Page 6

In Brussels, the European Commission was reserving judgment. M Jacques Delors, the Commission's President, said the package would be studied in detail before the October talks between the EEC and Japan.

Mr Nakasone announced the creation of a special working group, including Cabinet and leading party officials, to produce recommendations on expanding domestic demand. It is to report in the next few months. He said the focus would be on policies advanced by an earlier advisory committee report, under the former Foreign Minister, Mr Saburo Okita, published in April.

Its ambitious, but still general, agenda, which Mr Nakasone carefully reiterated yesterday, includes further deregulation, the spread of the five-day working week, harnessing the private sector into new public works projects and meaningful tax reform.

Though Mr Nakasone stressed that the Government was still bound to a course of fiscal austerity brought on by its indebtedness, his commitment represents a significant shift in official policy. It was widely interpreted in Japan as reflecting the genuine concern in Tokyo that the U.S. Congress and perhaps, in its wake, the European Community, is about to embark on serious retaliation against Japanese exports.

Japan, Mr Nakasone said, now faced "a critical moment" in its fight against protectionism. It was imperative that Japan dispelled what he called the erroneous foreign perception that it discriminated against foreign goods and services or was irresponsible in playing an insufficient role in the global economy.

Although the import action programme was fleshed out with a wealth of detail yesterday, even Japanese officials concede it can make little difference to the nation's trade surplus in the short term and certainly not before the

Continued on Page 16

Background, Page 3

Peru set for austerity package as banks shut

BY HUGH O'SHAUGHNESSY IN LONDON

PRESIDENT Alan Garcia of Peru yesterday announced the closure of all banks and other financial institutions for 48 hours. They are due to reopen for business tomorrow.

There is wide speculation in Lima that the move signals the implementation of a tough new economic austerity programme, the devaluation of the inti and the imposition of exchange controls.

The 36-year-old Social Democratic leader was installed as President on Sunday.

In his inaugural speech, he said that Peru was in a grave economic crisis, that he would limit service payments in the $14bn foreign debt to no more than 10 per cent of Peru's export income and that there would be an austerity programme independent of the demands of the International Monetary Fund.

Peru is deeply in arrears with payments of capital and interest on its foreign debt. The arrears are expected to reach $1bn by the end of the year.

The banks did not open on Monday, which was a public holiday.

Despite Peru's severe economic problems President Garcia's predecessor, President Fernando Belaunde, did not impose exchange controls and brushed aside criticism of his generally passive attitude to financial matters.

The incoming Garcia Government is committed to sweeping away unproductive investment plans proposed by the Belaunde administration and doing its best to revive local industry and agriculture from its present deep recession.

The cost of living has risen by more than 160 per cent in the last 12 months and the rate of increase is accelerating. Only about one-third of the Peruvian workforce is in full-time employment.

Banks with Peruvian government obligations have been disposing of them at very deep discounts – in many cases well over 25 per cent.

Italy plans to sell state bank stake to European institutions

BY ALAN FRIEDMAN IN MILAN

S. G. WARBURG, the UK merchant bank, and Soditic, the Swiss bank which is 40 per cent owned by Warburg, have been discussing with institutional investors the possible £100m ($142m) partial privatisation of Banca Commerciale Italiana (BCI), Italy's second largest state-owned bank.

Institutions in London would be offered about £50m-£60m worth of BCI shares, with the remainder to be sold in Italy and elsewhere in Europe.

IRI, the Italian state holding group which owns 87.8 per cent of BCI, is to discuss at a board meeting in Rome tomorrow prospects for the placement of 11m shares, 13 per cent BCI, with investors in Italy and abroad. In the UK investors have reportedly been receptive to the soundings taken by Warburg in the past few days.

Although the placement under discussion would see IRI's control of BCI diminished by only 13 per cent to 74.8 per cent, it is understood that a medium-term goal is to place a total of 25 per cent of the IRI-held shares in private hands.

If the plan is approved by the IRI board it will represent a significant step forward for the state holding group, which under the chairmanship of Prof Romano Prodi, has been trying to place more state owned in the private sector.

BCI shares stood at L24,000 ($12.70) on the Milan Bourse yesterday. At this price a 13 per cent stake would have a market value of about L260bn. The placing price is likely to involve a discount on the bourse price.

In Italy, Mediobanca, the powerful IRI-controlled merchant bank, would handle the placing of about half the 13 per cent stake in BCI. Warburg and its Rowe & Pitman stockbroking arm would handle the placement of just over 5m shares. Soditic, the Geneva-based Warburg affiliate, would also join in the placing operation.

The BCI share placement plan comes at a delicate time for the IRI group, which is still recovering from the debacle of its attempted privatisation of the SME foods group.

In April IRI signed an agreement to sell its SME subsidiary for L497bn to Sig Carlo de Benedetti, but the proposed deal quickly ran into heavy opposition from Prime Minister Bettino Craxi and then degenerated into a political feud.

IRI is likely to be discussing at its board meeting tomorrow how to proceed on the several counter-offers it has received for SME now that political interference has disrupted the original privatisation plan.

The most recent example of the privatisation of an Italian state bank came in May when IRI's Banco di Roma sold its 74 per cent of the Naples-based Banca Centro Sud to Citicorp of the U.S. for $130m.

Banca Commerciale reported a 64 per cent leap in its 1984 net profits, to L91.2bn. The bank's total deposits at year end amounted to L62,370bn, a rise of a quarter on 1983.

BCI expects an important new capital increase from IRI, which should further enhance its attractiveness to investors. The bank's present capital base stands at L420bn.

BCI, with its headquarters in Milan's Piazza Scala, has 19,000 employees, 443 branches in Italy, 12 branches abroad and 19 representational offices abroad.

Restrained tone by Soviet Union at Helsinki

By Robert Mauthner, Diplomatic Correspondent, in Helsinki

MR EDUARD SHEVARDNADZE, yesterday marked his first appearance at an international conference since becoming Soviet Foreign Minister four weeks ago with a noticeably moderate appeal to the U.S. for co-operation on a relaxation of international tensions.

Mr Shevardnadze's speech – to the conference celebrating the 10th anniversary of the signing by 35 countries of the Helsinki agreement on Security and Co-operation in Europe – was free of the sharp rhetoric which had characterised the most recent declarations of his predecessor, Mr Andrei Gromyko.

But though the tone was more conciliatory, there was little indication in the speech of a narrowing of the gap between the U.S. and the Soviet Union on essential issues such as nuclear arms control, the American space weapons research programme and respect of human rights.

If anything, the contribution to the proceedings of Mr George Shultz, the U.S. Secretary of State, sharply underlined the disagreement between the two countries in this field. Mr Shultz, who is due to have his first private meeting with his Soviet counterpart today, devoted almost his entire speech to the human rights provisions of the Helsinki agreement.

If any single lesson had emerged from the 10-year history of that agreement, Mr Shultz said, it was "precisely that the interests of individual human beings are a fundamental part of security and stability in Europe."

Among specific human rights violations referred to by Mr Shultz were the sharp fall in the number of Soviet Jews allowed to emigrate from 51,000 in 1979 to 896 in 1984 and more than 20 cases of American/Soviet marriages in which the Soviet spouse had been denied exit permission.

Mr Shultz also spoke of the dire plight of members of the Soviet-Helsinki Agreement monitoring groups, two of whom, Mr Yuri Orlov and Mr Anatoly Shcharansky, were currently languishing in Soviet labour camps. Mr Andrei Sakharov, the Nobel peace prize winner and "the man who more than any other represents the ideal enshrined in the final act," remained totally isolated from the world in internal exile, Mr Shultz said.

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EEC seeks joint line on sanctions, Page 2; Shultz under pressure, Page 6; Editorial comment, Page 14

UK employers warn of check to economy

BY MAX WILKINSON IN LONDON

THE PACE of economic recovery in the UK is showing some signs of slowing, the Confederation of British Industry (CBI) said yesterday.

The group's latest quarterly survey of more than 1,500 manufacturing companies showed, however, that demand and output were growing quite strongly in the second quarter of the year, with evidence that inflationary pressures are declining.

Companies reported that they are making much fuller use of their available capacity, and most are expecting output to continue to rise through the summer and early autumn, although at a slower rate.

The CBI warned, however, thet the survey suggested that the recovery could be "losing some of its momentum" for several reasons:

- Optimism about future export prospects fell sharply compared with the levels recorded in previous quarterly surveys.
- The rate of increase of export orders was also less than in the earlier part of the year. Export prices also appeared to be squeezed.
- Manufacturers are continuing to lay off workers after a brief period when there was evidence that the shake-out of labour might be coming to an end.
- Investment in plant and machinery is likely to stop growing in the next 12 months, although for 1985 as a whole investment is expected to rise by 7 per cent after a rise of 14 per cent in 1984.
- Optimism about the general business situation showed no overall increase in July, with 68 per cent of companies saying their views were unchanged. This compared with a significant rise in optimism in April, but is roughly in line with the results of the October and January surveys.

Mr David Wigglesworth, chairman of the CBI's economic situation committee said: "The first half of the year has been a good one for manufacturing industry, but business is now revising its forecast of growth downwards, faced with continued high interest rates and the consequent depreciation of the pound."

The survey was conducted earlier this month when British banks' base lending rates were 12½ per cent rather than the present 11½ per cent. Mr Wigglesworth said this fall would make little difference to the overall picture and he believed the CBI's forecast of overall economic growth of 4 per cent this year would be lowered.

However, this would only bring the CBI back into line with the consensus of other forecasters, includ-

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Details, Page 10

Reduced lending to non-BIS countries

BY ALEXANDER NICOLL IN LONDON

INTERNATIONAL bank lending to countries outside the industrialised world contracted in the first quarter of 1985, for the first time since the Bank for International Settlements (BIS) began compiling the data in 1974.

The $2.4bn decline in loans outstanding to these countries – which include developing nations and Eastern Europe as well as some developed countries – was accompanied by a $3.8bn decline in their deposits with the banks, a marked reversal from a $9.7bn increase in the preceding three months.

The statistics meant that countries outside the BIS reporting area – the major industrialised countries and offshore banking centres – "returned to the role of a net taker of funds, although only on a very modest scale, after having supplied a net amount of $15.4bn to the banks during 1984," the BIS said.

The bulk of the contraction in lending was accounted for by non-Opec developing countries, particularly Israel and Egypt where the movements of funds appeared to be largely seasonal. Banks' claims on Latin America, the region worst hit by the international debt crisis, fell by $800m in the first quarter.

The Latin American countries, which had been building up reserves held on deposit at international banks since the first quarter of 1983, reduced them by $300m, with Colombia and Peru both showing relatively large drawings.

The BIS, based in Basle, Switzerland, reported that total lending across borders by international banks showed a healthy $53bn increase, well ahead of the $32.5bn growth recorded in the same quarter of 1984.

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EUROPEAN NEWS

Switzerland's central bank governor discusses European economic policies with **William Dullforce** and **John Wicks**

Languetin prescribes 'zone of monetary stability' for Europe

THE TIME is ripe for European central banks and Governments to move decisively *towards* the construction of a "zone of monelary *stability*" *in* Europe. This is the "conviction" of M *Pierre* Languetin, president of the Swiss National Bank.

An *essential element* in *such* moves would be for Britain to join the European Monetary System (EMS), M Languetin belleves.

The need for concerted action *within* Europe has been heightened in hia view by the "unacceptable and unhealthy" situation on the foreign exchange markets this year.

M Languetin says the dollar's climb to SwFr 2.93 from SwFr 2.25 and subsequent fall back to SwFr 2.35 has demonstrated to investors a "justified apprehension about the volatility of exchange rates."

Europe, he says, sbould see the seemingly-intractable problem of the U.S. budget deficit as a challenge to improve and better co-ordinate its own monetary and economic pollcies.

Action on the monetary front would have to be complemented by reoewed efforts to give reality to the convergence of economic poticies among European countries, wbicb has been *postulated since the 1950s.*

"If you could have on top of a *zone* of *monetary stability* a zone of economic and price stability, you would create in the long term (it cannot be done overnight) the necessary fundamentals for the European economies to become a European market of the size, importance and efficiency of the U.S. markel." M Languetin says.

The concept underlying his approacb is that invealors In Europe need a big domestic market—"a real economic area" —similar to that which American and *foreign* Inveslors enjoy in the U.S. If Europe is to achieve economic growtb with price stability and to curb unemployment.

M Languetin took over the leadership of the *Swiss central* bank from Dr Fritz Leutwiler at the beginning of this year. He was expected to bring a more subdued style to the office than his outspoken predecessor and, in his first public utterances has conteoted himself with underlining continuity of policy at the National Bank.

However. M Languetin has now apelt out both his apprehensions about European monetary and *economic* policies and his feeling that opportunities *are there to be grasped.*

He speaks with the authority of a central bank governor in an important financiel centre whose currency plays a big role on international capital markets. Switzerland is also a member of the Group of Ten industrialised countries (now 11 with Switzerland's accession) which bave been studyiog ways of stabliisiog the world monetary system.

M Languetin expects "no spectacular decisions" to come from the annual meeting of the International Monetary Fund (IMF) in Seoul thia October, to which both the Group of Ten and the group of 24 developing couotries will be reporting on internationat monetary reform.

He finds it more relevant to concentrate on those countries which bear the greatest responsibility for world economic activity and in particular to focus on ways of accelerating growth in Europe.

Ideally, M Laoguetin believes, four conditions need to be met in the short term, to ensure world economic stability and growth:

- Drastic decisions should be taken to cut the U.S. budget deficit.
- *The worldwide fight against* inflation must be sustaioed;
- *There should be no reflation* through budget deficits in *Europe and Japan;*
- Greater flexibility must be *achieved* in *capital and other* markets to allow adjustments *to be made more swiftly.*

M Languetin'a prescription for more concerted monetary and economic policies in Europe is addressed primarily to the capitals of the EEC, of which Switzerland is not a member. What then would Switzerland's role be?

The banker reverts to diplomatic phrasing: "If there was a firm determination to move in the monetary field, to move towards greater stability in prices and in foreign exchange, we would seek ways and means of co-operating."

The EMS could not be opened to non-members of the EEC. Here the key was Britain's participation, which would at once help to create "a sense of monetary stability."

Non-members of the community, bowever, could join in concerting economic policies. But, M. Languetin says, the proper approacb would be the one already applied in Switzerland where priority goes to the fight against inflation and the main instrument is a low *annual target for the growth in* the money supply.

Switzerland did not take part in the action of ceotral banks last February, led by the West German Bundesbank, to stem the rise in the dollar, but M Languetin says be sees "some merit" in intervention to give a signal to the market, provided it is carefully coocerted by the central banks most concerned.

Intervention in the currency markets could also be useful if a central bank wanted to alter its monetary policy. But, M Languetin stresses, the Swiss national bank does not *favour* regular or automatic intervention by central *banks.*

On the subject *of* the Swiss *franc, he says* the bank bad set no boundaries for the movemeot of the franc *against* the dollar or D-mark at wbich it would *automatically intervene.*

It has been generally assumed that the central bank had some such limit for the franc/D-mark rate, but M Languetin says the bank wants to preserve its discretion *to* assess any giveo situation.

The 2.2 per cent appreciation of the Swiss franc on a trade-weighted basis batween mid-Juoo and mid-July was oo reason for changing the nalional bank'a position on the money *supply, he says. The official target* for 1985 is a 3 per cent *growth in the monetary* base.

Seen against the 6.5 per cent depreciation recorded in 1984, some lost ground has been regained, M Languetin says.

The national bank was criticised at the beginning of the *year* for not tightening its monetary target: had it done *so, it would now have to change* course and could have provoked wider *fluctuations in* the *interest* and exchange rates.

The *bank, says M Languetin,* sees no point in jumping at *each wave on the currency markets.*

The only substantial restriction remaining on the *international use of the Swiss currency* is that Swiss franc bonds and notes *should not be issued* abroad. The bank keeps a close watch on *other* Swiss *franc* instruments but use of the Swiss *franc* has been liberalised.

M Languetin has been surprised at the speed with which use of the European Currency Unit (Ecu) for private transactions has expanded. This is due to a "*financial Kama Sutra*" under which all kinds of devlces *for hedging* risk are being developed for investors and *borrowers.*

On IMF membership, he says *the Swiss Federal Council* (Government) has taken a decision in principle to join the *IMF* and the World Bank, but implementation will not take place until after next March's referendum on Swiss accession to the United Nations.

Switzerland's purpose in joining the IMF would not be to become a candidate for standby loans but to contribute to its functioning. Switzerland would "certainly not wish its present influence to be diminished by joining."

The implication of this *remark is that the Swiss would* expect to have a permanent *director in the IMF.*

On bank secrecy, M. Languetin says Switzerland *is willing* to prevent the abuse or misuse *of its regulations* but "*not to* the point of self-mortification." The authorities are anxious to prevent secrecy being misused to the detriment of Switzerland's reputation

IFO warns on economy

BY PETER BRUCE IN BONN

ONE OF West Germany's five major economic institutes warned yesterday that the country's current *economic upswing is showing signs* of fragility. It also described as "*half-hearted*" plans to introduce next year a DM 20bo ($7.1bn) tax cut in two steps instead of one.

The Munich-based IFO-institute said that while growth this year – forecast at around 2.5 per cent – would probabiy stretch into 1986 as well, the conservative coalition Government in Bonn was concentrating on cutting its budget deficit to the detriment of domestic investment.

The Government should be actively promoting investment, one Institute said. It also called on the *Bundesbank to ease tight monetary* policies.

The IFO said in a report that the strength of the recovery lagged well behind earlier ones, chiefly because of a collapse in domestic construction activity. Even if the recovery *continued to the end of next year,* unemploymeot figures would hardly be affected.

MINISTERS TO DISCUSS SOUTH AFRICA AT HELSINKI GATHERING

EEC seeks joint line on sanctions

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN HELSINKI

THE FOREIGN MINISTERS of the 10 European Community member atates will meet here today in the margins of the conference celebrating the 10th anniversary of the Helsinki Agreement, in another ettempt to co-ordinate their policies towards South Africa.

The chances of success, however, are slim, given the different directions that some of the member states, like Britain and France, have taken since the EEC foreign ministers' discussions of the subject in Brussels little more than a week ago.

On that occasion, the ministers called on the South African Government to lift the state of emergency imposed in large parts of the country, and decided to *stiffen the* EEC code of conduct for European companies *operating in* South Africa.

Only a *few* days *later*, however, France banned all new *investments in* South Africa and withdrew its ambassador from Pretoria.

Britain and West Germany, on the other hand, have made clear that they will not adopt economic sanctions against South Africa, because such sanctions are deemed to have proved ineffective in the past and would hurt the black population more than the whites.

Sir Geoffrey Howe, the British Foreign Secretary, meanwhile, told Mr Stefan Olszowski, the Polish Foreign Minister, when they met yesterday that the possibility of Britain granting bilateral credits to Warsaw had improved following the recent rescheduling of Poland's debt by the Paris Club of creditor nations.

He emphasised, however, that in the minds of the British people there was a link between economic assistance to a country and its respect for human liberties. The granting of credits could not therefore be considered as automatic.

Britain was particularly concerned about the three-fold increase in the number of political *prisoners* in *Poland since* the two foreign ministers had last met in April this year, and was looking for progress by Poland in the human rights field.

The new Soviet Foreign Minister, Mr Eduard Shevardnadze (front right), makes his international debut at the conference celebrating the tenth anniversary of the Helsinki Accord. He is seen shaking hands with Mr George Shultz, the U.S. Secretary of State, at the opening ceremony

Poland repeats call for S. Africa sanctions

BY CHRISTOPHER BOBINSKI IN WARSAW

MR JERZY URBAN, Poland's controversial government epokesman, yesterday reiterated his country's backing for sanctions against South Africa and asserted that in his view they could be effective.

The statement comes from a *man who, over the past three* years, has regularly used his *considerable polemical skills* to demonstrate to the U.S. and other Western countries, the folly of maintaining sanctions against Poland. Indeed, some of Mr Urban's statements stressing that sanctions against Poland will do more to hurt the population, while "the government will always be able to feed itself," have come to be etched deep in the popular memory.

Ironically, many of his arguments hava been repeated in recent weeks by White House spokesmen speaking against a policy of sanctions against Pretoria.

Yesterday, however, Mr Urban said that Sonth *Africa* "remained a concentration camp for many of its inhabitants" and that Poland "had always supported sanctions against the country because its policies run counter to human rights and many United Nations resolutions."

The Polish situation could not be compared with South Africa, he asserted indignantly. The *links* which the U.S. and other Western countries had with Pretoria were so considerable that "sanctions could well lead to a change in the policies of epartheid."

Romania reorganises engineering industry

BY DAVID BUCHAN IN LONDON

THE ROMANIAN Government has reorganised its sizeable engineering industry by creating two ministries, going against the trend elsewhere in the Soviet bloc towards *amalgamating industrial ministries* and diminishing their role in day-to-day supervision of enterprises.

The heavy equipment sector and the electrical engineering sector are to be run by ministries separate from the ministry for the machine-building industry, the official Romanian newsagency reported this week.

No reason was given, but regular organisational and personnel reshuffles are a distinctive characteristic of the Government of President Nicolae Ceausescu. The latest *move is probably in line with the* President's oft-stated belief that his economy needs more, not less, central direction.

By contrast, Hungary now has only one ministry to supervise all branches of its industry, and in the *Soviet Union Mr Mikhail Gorbachev* has complained of the proliferation of industrial ministries.

Soares wants reform of constitution

SR MARIO SOARES, Portugal's Prime Minister, will support constitutional reforms to ensure greater political stability and introduce more flexibility into the state-dominated economy if he is elected president next January.

The *Socialist leader* was *speaking* in a television *interview* that he turned into a major pre-campaign speech for his presidential bid.

Sr Soares, who is heading a caretaker Government until an early parliamentary election in October, said he would like to see the constitution changed so that a *government* could not be brought down *unless its* opponents guaranteed a viable alternative.

French to cut import duty on alcohol

BRUSSELS – France, under pressure from the EEC, has agreed to lessen protection for its alcohol producers by reforming its alcohol monopoly, the EEC said yesterday.

It said a French import duty, known as the "*soulte*," would be re*moved from all alcohol* except that distilled from sugar beet. The change will take effect on September 1.

The EEC commission had charged in June *1984* that the French monopoly was protecting national production of alcohol by making imports from other EEC member states more expensive, notably through the use of the import duty. AP

Shell makes big oil find off Norway

NORSKE SHELL, a subsidiary of Royal Dutch/Shell, has made a *significant* oil strike on the Norwegian continental shelf, *according* to the Norwegian Petroleum Directorate, Reuter *reports from* Oslo.

The find, on block 6407/9-3 in *the Draugen* field off central Norway, tested light oil at *15,700 barrels* per day, it said. "This is among the best independent *results* carried out on the Norwegian shelf."

The *Directorate* said that the test results were obtained through a *50.8mm* choke, adding that the results confirmed previous estimates that the *field* contained approximately 250m barrels of *crude.*

A Shell spokesman said the company was *satisfied* with the drilling results and was already drilling a fourth *well* on the block but it was too early to speculate about development of the field.

However, the company is believed to have discovered hydrocarbons in the fourth well and is currently testing core samplea.

The Oil Directorate said the total depth of the well was 1,843 metrea and it was drilled in 279 metres of water. The oil, discovered in Elder Jurassic sandstone, was light with a low gas content.

Shell, operator of the Draugen field with a 30 per cent ownership share, has discovered oil in all test wells so far drilled

Coalition in Italy plans city tie-ups

By Alan Friedman in Milan

LEADERS of the parties that *make up Italy's ruling coalition* have agreed that their five-party formula is to be applied *in many* of the country's most Important local governments. The *agreement* heralds a significant change for the administration of Milan, Rome and Turin.

Regional elections last *May* saw the Christian Democrat Party increase its vote and the coalition government headed by Sig Bettino Craxi, a Socialist, strengthen its position.

In Milan, the five-party formula will mean the end of the Socialist-Communist coalition led by Mayor Carlo Tognoli which has been in power for nine years. Sig Tognoli, who is also a European MP, will remain mayor but the Communists will be forced into opposition. The local coalition will consist instead of Christian Democrats, Socialists, Republicans, Liberals and Social Democrats.

The same formula is likely to be applied in Rome, which has had a Communist mayor for several years, and in Turin, where a Communist-Socialist coalition has governed. The only big northern city likely to retain a Communist leadership will be Bologna.

Amnesty claims out of date, says Turkey

TURKEY CLAIMED yesterday that the latest Amnesty International report on torture there is a compilation of the previous year's report, covering mostly allegations concerning the years 1980 to 1982, AP reports

"This alone shows the difficulty which Amnesty International faces in gathering new material in support of its efforts to eccusa Turkey," Mr Yalim Eralp, Foreign Ministry spokesman said.

In another statement, Mr Eralp said torture was not "systematic" in Turkey as charged by the London-based international human rights group. Some 105 people accused of torturing prisoners have been prosecuted in Turkey in the last four years, he added.

In its report issued a week ago, Amnesty International had claimed: "Torture is widespread and systematic in Turkey.

"Anybody detained in the country for political reasons is at *great risk of being tortured* and very few detainees are not subjected to some form of ill-treatment in police stations, security forces' interrogation and detention centres and prisons."

- The coalition government in the *self-proclaimed* Turkish-Cypriot state of north Cyprus yesterday won a confidence vote 32-16 in the parliament.

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Washington reacts with caution

By Nancy Dunne in Washington

THE WHITE HOUSE reacted cautiously to the Japanese package.

However, Mr Larry Speakes, the White House spokesman, called aspects of the market-opening "encouraging," particularly the steps announced on capital market liberalisation.

Many trade groups were huddled in meetings yesterday to examine the Japanese plan but those ready to comment eyed the Japanese initiative with scepticism.

Mr Lawrence Fox, vice-president of the National Manufacturers' Association, said the steps were "too little, too late." The plan, he said, is "in the tradition of previous trade openings. It might have some magical value but we don't see anything significant there."

There will be little help for the manufacturing sector until the exchange rate issue is addressed, he said.

Mr Al Rothenberg, spokesman for the Motor Vehicle Manufacturers' Association, pronounced himself in favour of the new certification procedures. But he said: "We don't expect any great changes

The Chemical Manufacturers' Association said it is "a wait and see situation to see if these changes really do take place."

On Capitol Hill, the Chairman of the Senate Commerce Committee also expressed scepticism.

● In Brussels, the European Commission yesterday reserved comment, claiming that details of the measures had not yet been received in Brussels.

Unofficial reaction suggested the Community's initial response was at least more positive than that which greeted Japan's tariff reduction programme announced last month.

● In the UK, the department of Trade and Industry said it was too son to make a definite comment.

Jurek Martin and **Carla Rapoport** assess the implications for Western manufacturers

How Japanese market opening measures will operate

THE Japanese Government yesterday announced its new market opening measures. The following are some of the main elements of the proposals:

Aircraft: Two proposed changes in regulations covering commercial aircraft seem to be of potential significance to European, and, especially, UK manufecturers. Existing Jepanese law states that a four-engined jet aircraft must be operated by a three-man flight crew; this is to be reduced to two. Additionally, the weight limit, currently 5.7 tons, on aircraft used in commuter services is to be relaxed.

The first modification could benefit such an aircraft as British Aerospace's 146, a four-engined jet specifically designed to be operated by a two-man crew. The UK has long been lobbying for Japanese purchases of the 146. The easing of the weight limit similarly could help sales of such aircraft as Short's 330 and 360 models, as well as French Mercures and Dutch Fokkers among others. In general, the Japanese short-haul feeder network is underdeveloped.

Government procurement: Some Western diplomats here saw encouraging signs in the proposed reforms of rules covering the purchases of materials by government and semi-government agencies. These stipulate that the number of contracts awarded through single tendering (almost invariably to Japanese concerns) will be reduced, an extension of bidding time from e minimum of 30 days to not less than 40 days, the simplification of documentation, and the creation, under the Foreign Ministry, of an information clearing house.

Japan is also adding 16 more semi-government agencies to the 45 already covered by the General Agreement on Tariffs and Trade (Gett) procurement code. It may also be significant that Japan is now prepared to consider the record of the foreign parent company, and not just its Japanese subsidiary, in assessing whether a company is a potentialy reliable supplier.

The caveat in this section, as in so many others, is that only time will tell if this will make much difference, given the intense competitiveness of many Japanese concerns and the close relationships they have esteblished over the years with their government and its related agencies.

Standards and certification: In an immensely complex, highly sectoral area, perhaps the most important single commitment is that "representativas of foreign interests shall be always allowed to join or participate in any of the advisory councils, their subcommittees and other fora to state their opinions in the process of drafting or revising standards." In other words, a clear ettempt apears to be being made to make the Jepanese rule-making system more transparent than it is widely believed to be at present, although without sacrificing the national right to make whatever safety and other standards it deems appropriate. Traditionally in Japan, such standards are set by a process of close co-operation between industry and government from which foreign interests hava been generally excinded, even from the advisory process.

In addition, under the rubric of "freedom in principle, exceptions only where necessary," Japan does seem intent on promoting self-certification wherever possible by manufacturera in the country of origin.

However, the issue of self-certification remains vague. For example, Japan proposes to allow the import of those new manufactured or chemical substances which have been already tested in foreign countries only "after re-confirmation of safety by Japanese authorities." It does not spell out the nature of this re-confirmation procedure.

Foreign test data: With regard to pharmaceuticals, Japan hes agreed to accept foreign test data with the exception of: comparative clinical trials, dose finding tests, absorption, distribution, metabolism and excretion tests, where the results for Japanese and non-Japanese may vary.

Financial liberalisation: Tha bulk of yesterday's announcements on financial market liberalisation have already been announced. Japan did put a figure Y1bn (£2.9m) on the large time deposits which will be freed of interest rate ceilings this autumn. Japan has stated that interest rate ceilings on all large-denomination deposits will be removed by the spring of 1987. No time limit was given for the equally important liberalisation of interest rate ceilings on small denomination deposits.

In the European bond market, Japanese residents will be allowed to issue floating rate notes by the spring of next year. Further, the ceilings on yen-dominated foreign bonds and foreign-currency bonds are being reconsidered.

A decision on the number of new seets and the qualification requirements for the Tokyo Stock Exchange are to be announced this autumn, the Government said.

CARS: While foreign companies in Japan are sorting out what, if any, positive effects will result from yesterday's market-opening announcements, one sector et least had very few roses to throw at Mr Nakasone.

"Will we sell more cars in Japan? I wouldn't have thought so. These (measures) will make a contribution to making our life easier . . . but they are largely cosmetic changes," says Mr David Blume, marketing manager for British Leyland in Japan.

Yesterday's announcements paved the way for a simplified certification system for imported cars, which among other things, will provide for the acceptance of foreign data on emission and noise levels. According to the government, this should "substantially" reduce the inspection period for imported vehicles, which now takes 60 to 70 days from the date of landing.

Foreign automakers have about 1 per cent of Japan's domestic passenger car market. Foreign car importers complain of a lack of good quality dealerships in Japan, which in turn keeps a lid on sales. Small sales volumes mean that foreign cars are reletively expensive and unable to compete with Japanese cars on price alone.

More importantly, however, foreign car importers have been lobbying the Government for several years about a legally sanctioned system of parallel importing of foreign cars.

Under Japanese law, any individual can import a foreign car provided he or she does not import more than 10 at a time. In the case of BMW, for example, the 10-at-a-time importers account for nearly 30 per cent of the sales of their cara in Japan.

Yesterday's concessions on import procedures, according to foreign car importers, is only one small area of reform it had been seeking. "It will help get the cars into the country more smoothly, but it will not help to sell more cars," said Mr Blume.

EEC fears U.S. moves to curb shoe imports

THE EUROPEAN Community yesterday expressed concern over possible U.S. moves to restrict imports of Community-made leather shoes, saying these were not the cause of the U.S. industry'a problems, **Reuter reports from Brussels.**

Washington, under pressure from the domestic shoe industry, has to decide by September 1 whether to introduce import quotas on quality shoes exported from Europe.

The Community's external trade commissioner M Willy De Clercq, said thet Community exports were not the cause of the problems of the U.S. industry.

The 14.9 per cent increase in Community shoe exports in 1984, compared with a rise of 41 per cent from other sources, was largely the result of tha high dollar which made foreign products more competitive than U.S. goods.

Community shoes were often priced at or above the U.S. price to account for customa duties, be added.

The Community had told Washington it considered any export restrictions would be totally unjustified.

Turkey announces new tax rebate

THE Turkish Government has ennounced a new tax rebate of 2.75 per cent for exports of fresh fruit and vegetables, as part of a general overhaul of the procedures for agricultural exports, **David Barchard reports from Ankara.**

A desire to cut losses by exporters of perishable products to the absolute minimum is being given as a reason for the new rebate.

The new rebate is in addition to those introduced in 1982 for fruit and vegetable exporters.

Tokyo, Peking in trade talks

SIX Japanese and eight Chinese Government ministers opened a two-day conference in Tokyo yesterday to discuss China's trade deficit with Japan—now its biggest trading partner—and other matters of mutual concern, Foreign Ministry officials said, AP reports.

The two sides were also to discuss the international situation during the session—the fourth in a series of high-level meetings that began in 1980.

Trade between the two countries reached a record $13bn (£10bn) in 1984, with Japan enjoying a surplus of $1.3bn, eccording to official Japanese statistics. The trade imbalance jumped to $2.8bn in the first half of 1985 alone, tha Japan External Trade Organisation said.

Earlier in the day, Stata Councillor Gu Mu, head of the Chinese delegation, paid a courtesy call on Prime Minister Yasuhiro Nakasone. Foreign Ministry officials said Gn told Mr Nakasone he believes Sino-Japanese relations "are satisfactory in all aspects."

Gu said, however, that the two countries had some "minor issues that crop np during development of their ties," the officials added.

Mr Nakasone agreed with Gu's assessment and said Tokyo and Peking should be eble to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through to the 21st century," the officials quoted Mr Nakasone as saying.

Move to cut risks for HK exporters

Hong Kong's Export Credit Insurance Corporation is considering two new types of insurance policies, both aimed at reducing exporters' risks when they take on letters of credit, AP-DJ reports

Mr K. Y. Yeung, commissioner of the Government-owned concern, said the corporation was studying proposals to offer insurance against risks an exporter faced before his products were shipped

China special zone told to increase exports

BY ROBERT THOMSON IN PEKING

WHILE the Chinese Government continues to regard the country's four Special Economic Zones as "experiments," the area of the Xiamen zone, on Southern Chinese coastline in Fujian Province, has been extended.

A report in China's Economic Daily said the zone will now include the nearby small island of Gulangyu, and is to be encouraged to "run the business of direct trade with Taiwan."

Xiamen, within sight of the Taiwanese-held island of Quemoy, is the only one of the four zones not in Guangdong Province, further to the south, and should be built into a "comprehensive and extrovert-style special economic zone."

"Xiamen should concentrate on increasing exports and the production goods that are in short supply at home," the Council recommended.

Order placed for $175m cruise ship

BY FAY GJESTER IN OSLO AND ANDREW FISHER IN LONDON

ROYAL CARIBBEAN Cruise Lines (RCCL), one of the major cruise shipping operators in the U.S. market, has placed a $175m (£125m) order for the world's most expensive cruise ship but has deferred a decision on the second vessel it planned to buy.

The new 2,500-passenger ship will be built at the Chantiers de L'Atlantique yard in France. RCCL also has an option to build a second such vessel there.

Tha French yard gained the order mainly through more favourable financing terms, edging ont Wartsila of Finland and Kockums of Sweden.

RCCL is owned by Gotaas-Larsen, based in Bermuda, and two Norwegian companies, Anders Wilhelmsen and I. M. Skaugen. The cruise operator first said in February it planned to order two big new vessels to boost its capacity.

Gotaas-Larsen said when reporting sharply lower second-quarter results this year that cruise vessels — comprising its one-third stake in RCCL and its own two ships — had felt the effects of severe competition in the Caribbean.

Speaking from Oslo yesterday, Mr Richard Fain, joint managing director of Gotaas-Larsen, said: "The order was placed in the full knowledge of that downturn."

But RCCL still intended to order the second ship, on the basis of longer-term optimism about the market, ha added.

The new RCCL vessel will take 300 more passengers than the Norway — formerly the France — which is owned by Norwegian Caribbean Lines (NCL), a company also planning to order new cruise tonnage.

NCL, part of Klosters Rederi of Norway, has considered plans for a huge, technically advanced 5,000-passenger vessel

Apart from RCCL and NCL, several other cruise companies are planning major investment in new tonnage. Carnival Cruise Lines has had one ship in a three-ship order delivered from Scandinavia.

Cunard, part of Trafalgar House of the UK, is considering putting new engines in the QE2 et a cost of some £60m

UK-Indian electric vehicle deal approved

By John Griffiths

THE INDIAN Government has approved an Anglo-Indian joint project to produce up to 12,000 electric vehicles a year in a new factory on a 100-acre site near Bombay.

The vehicles are of a type already used in the UK for tasks such as milk deliveries, in-factory operations and aircraft towing.

The three UK companies involved are Electricars, of Atherstone, Warwicks., which claims about a 60 per cent share of the total UK electric vehicle market; Cableform, of Stockport, Cheshire, which makes electric vehicle control gear, and Electric Construction, a Hawker Siddeley subsidiary.

Their Indian partner is Chaelec Vehicles India, in which Electricars and Cableform have minority stakes. The State of Maharashtra has also taken an 11 per cent holding.

The largest holding — of 21.6 per cent—lies with the project's founder, Mr Indra Chatterji and his wife. Mr Chatterji forecasts that when the project is fully on stream, it will employ 2,250 when subcontractors are included.

The UK companies are to provide production line, electric motor and battery technology for the plant, which is scheduled for completion in July next year.

Meanwhile, kits of three road-going vehicles, two tractors and a platform truck are being supplied to Chatelec by the UK companies.

These are to be assembled at an initial rate of 10 a month starting in November.

The project was first presented to the Indian Government in 1981, but has only recently received final aproval.

Grenada holds bank talks on airport debt

A DEMAND from Plessey Airports of Britain to the Grenada Government for payment of £8.4m to cover work done on the island's international airport has sent the island's government into negotiations with a Canedian bank to raise the money, Canute James writes from Kingston.

The company had been contractad by the previous government, overthrown in e U.S. invasion in October, 1983, to instal navigational equipment.

The contract was backed by the UK Export Credits Guarantee Department, and committed Grenada to repay at a rate of £940,000 per year in semiannnel instalments.

Mr Keith Mitchell, the island's Communications Minister, said negotiations to raise the funds to pay Plessey Airports were taking place with the Bank of Nova Scotia, and that "the prospect of reeolution of the problem looks rather good."

France acts to dismantle alcohol duties

By Ivo Dawnay in Brussels

FRANCE HAS taken steps to dismantle a system of duties that penalised sales of alcohol from other EEC member-states, following complaints from the European Commission.

A report published by the Commission last June found that the "soulte" duty distorted compatition on the French alcohol market.

Though technically this was charged on all alcohol, revenue raised from domestic production was paid to the state monopoly and then used to buy-in French distillers' production at prices higher than those paid in the open market.

A "reasoned opinion" of the Commission found that this amounted to a national market organisation contrary to the Common Market and discriminatory against other Community producers. Some duties added, in real terms, as much as 50 per cent to retail prices for imported production.

France has since agreed to dismantle the system for all alcohol, except for that derived from sugar beet for which quantities and price will be restricted from September 1.

The Commission will now decide whether the French move means that countervailing charges applied to its alcohol exports can be lifted.

EIB aid for Algeria

The European Investment Bank will provide Ecu 75m (£41m) to help the Algerian Government expand the port of Bejaia and upgrade 133m km of road between Jijel and Constantine, our trade staff reports. New quays and expanded cargo handling facilities are part of the port works.

Midland Bank credit line for Cuba trade

By Frank Gray

MIDLAND BANK has established a £30m credit line to boost British exports to Cuba.

The credit facility is particularly eimed at helping exporters of medical, transport, maritime and sugar-refining equipment, as well as other providers of medium-technology goods.

The credit line, to be available for two to three years, also calls for Britain to import more Cuban goods, particularly cocoa butter, coffee, honey, sugar, nickel and between 60,000-90,000 tonnes of crude oil.

Among British clearing banks, Midland Bank has been prominent in supporting bilateral trade efforts and has been instrumental in arranging trade contacts in the UK for Cuban shippers.

Cuban officials have recently held talks with Thomas Cook, the UK travel ooncern, to promote Cuban tourism. Meetings also have been held with Scottish distillers aimed at bottling and marketing Cuban rum.

Lord Selsdon, senior financial adviser to Midland, recently led a 20-member London Chamber of Commerce mission of UK companies to Cuba. He is to make a further visit in the autumn, and the Birmingham Chamber of Commerce is to send its own group later in the year.

British exports to Cuba for the first five months of this year were worth £29.3m, mainly of medium-range technology, while imports from Cuba for the period were worth £3.5m, comprising mainly sugar, honey and tobacco products.

UK exports last year were worth £64m, with imports valued at £13m.

OVERSEAS NEWS

Pyongyang suggests both Koreas should host Olympic Games

BY STEVEN B. BUTLER IN SEOUL

NORTH KOREA has publicly proposed for the first time that it and South Kerea co-host the 1988 Olympic Games which are scheduled to take place in Seoul, and that they form e slogle, unified team to take part in the games.

The unexpected proposal adds another complicating factor to the slowly developing dialogue between the two Kereas. Although Seoul has expressed interest in forming a unified Korean team, Mr Roh Tae-Woo, chairman of the Seoul Olympic Organising Committee, has previously dismissed the possibility of holding some events in North Korea as impractical.

Successful staging of the 1988 Olympics has become a foremost national priority for South Korea and the North's proposal is likely to receive a cool rasponse. Officials in Seoul have frequently expressed concern that North Korea will try to disrupt the games.

The North Korean Central Newa Agency quoted Mr Chung Jung-Gi, vice-premier of North Korea'a administrative council, as saying that holding the games only in Seoul would "further aggravate the confrontation and antagonism between the North and South and heighten tension on the Korean peninsula."

Mr Chung said that cc-hosting the games would encourage dialogue between the two Koreas and encourage netions to attend that would otherwise boycott the games.

Seoul has previously expressed confidence that North Korea would fail in its efforts to convince its Communist allies to boycott the games.

Talks to form a unified sports team for the Los Angeles Olympics hroke off in angry political dispute in the spring of 1984.

Seoul raised the proposal to form a unified team again in October last year, hut North Korea has so far not responded directly to the proposal to begin talks again.

Last week the International Olympic Committee announced that Olympic committees from North and South Korea had accepted invilations to meet in Lausanne, Switzerland, before the end ef the year, although it is not clear what the talks will cover.

Chinese consumers go on a spending spree

BY ROBERT THOMSON IN PEKING

DRAMATIC evidence of the overheating of the Chinese economy was released yesterday in the financial statement for the first half of the year. Refrigerator output, for example, more than tripled and overall industrial production rose 23 per cent from a year earlier.

Energy generation and transport aervices, bowever, which have already been identified as the weak links in modernisation, have failed to keep up.

Output of popular consumer goods leapt in the first six months, showing that consumers bave more cash at the ready than at any time since the communist revelution in 1949. Retail sales rose 35 per cent.

Production of cassette recorders mere than deubled, electric fan manufacturing almost doubled, and television output was up 84.5 per cent on the aame period last year.

Concern by the public at price rises have been recently reflected in protests. Despita the conventional wisdom that prices have risen sharply this year, a spokesman for the state statistical hureau, Ma An, said that Inflation is ruoning at an annual rate of 7 per cent.

Total energy oulput increased 11.3 per cent from the first half last year, while industrial production rose 23.1 per cent.

Railways, the transport staple, increased the weight of freight shipped by 4.9 per cent on the first half last year, a figure well below that of production.

MA suggested there would be rationalisation of some energy end transport Inefficient rural industries and that greater emphasis weuld be placed en energy conservetion.

Sikhs clash in Golden Temple on Punjab deal

By K. K. Sharma in New Delhi

RIVAL GROUPS of Sikhs clashed yesterday in the Golden Temple complex in Amritsar over last week'a settlement on Punjah. At least 50 shots were fired as police intervened to separate them.

The trouble happened when Mr Harchand Singb Longewal, the President of the Akali Dal who signed the settlement with Prime Minister Rajlv Gandhi, arrived at the temple to confer with district leaders of his party.

At least 250 Sikh youths helonging to the hard-line faction of the Akali Dal and the All India Sikh Students Federation were waiting nearhy shouting slogans and waving hlack flags. They raced towards Mr Longowal and clashed wlth his followers. Shots were then fired and security forces hurriedly arrived to prevent a riot.

Security has been tightened all over Punjah hut the authorities fear terrorist acts by the extremists in their hid to discredit Mr Longowal and the agreement, which has received a mixed response from Sikhs.

The extremists have rejected the settlement as a "sell-out" and have accused Mr Longowal of betraying the interests of the Sikhs. Many of Mr Longowal's followers have also differed with him although there is no indication of an open split in the Akali Dal yet.

If the violence continues, state elections, which must be held before October 8, could be postponed and President'a rule (direct government from New Delhl) extended by amending the constitution.

Pakistan to train Sinhalese in security

A tetal of 450 Sinhalese youths are to be trained in Islamahad hy Pakistan counter-insurgency experts In ways of providing protection for Sinhalese settlements in the north, Mervyn de Silva writes in Colombo.

The Government plans to settle about 200,000 Sinhalesa in the border areas between the Tamil northern peninsula and the Sinhalese-populated north-central province.

Major General Seneviratne the Sri Lanka army commander denied yesterday that the men were part ef the army.

Ugandan guerrillas snub Okello

BY MARY ANNE FITZGERALD IN NAIROBI

FEARS of continued fighting in Uganda rose yesterday when the National Resistance Army (NRA), the country's guerrilla movement, anneunced its refusal te co-operate wlth the new government of Lt Gen Tito Okallo.

Mr Salem Saleh, an NRA brigade commander, was reported to have rejected a seat on the nine-man Military Council formed yesterday. Mr Saleb la a hrother of Mr Yoweri Museveni, the NRA leader.

"It's a question of getting hold of a name and putting it on the list. Neither he nor the NRA were consulted. He will not accept," said an NRA spokesman in Nairohi.

The council's vice-chairman is Mr Wilson Toko, a colonel who is general manager ef Uganda Airways. Other eppeintees to the council, headed by Gen Okello, include six colonels, according to the Uganda Ministry of Information. Mr Justin Okot, a lawyer whe bas been named secretary, is the only civilian.

The NRA's dismissal of a place in the interim government followed a statement expressing dissatisfaction with the installation of Lt Gen Okello as Uganda'a leader. The statement said that the underground movement had not been consulted on plans fer elections, scheduled a year from now, or the appointment of a Prime Minister.

The guerrillas could pose a strong political threat to Lt Gen Okelle. Its forces weged a nagging, four-year campaign against Dr Obote's deposed government that has effectively tied down units of the Uganda Army. There is every reason to believe that it is capable of continuing to do so.

Mr Museveni has acknowledged he had no role in the coup. He bas been quoted as saying that if the army set up a military government, the NRA would carry on fighting.

The army and the guerrillas have inflicted brutal atrocities on each other. As army commander, Lt-Gen Okello was responsihle for the punitive raids against the guerrillas.

Mr Paul Saemogerere, leader of the Democratic Party that opposed Dr Obote's Uganda Peoples' Congress in the 1980 elections, sent a letter of support to Lt-Gen Okello. The appeintment of a Prime Minister is expected to be announced before the end of the week.

Of Dr Obote's 34-member Cabinet, 22 are said to have responded te a call to report to the army. Their passports have been confiscated but they are not under arrest. Mr Chris Rwakasisi, a former Minister of State, who was in charge of the secret police, has been imprisoned. At least 150 of the 250 North Korean military advisers in the country are reported to have been arrested.

Jim Jones on the effects of repatriating foreign black workers

Pretoria's threat rings hollow

THIS WEEK'S threat by President P. W. Botha that hundreds of thousands of immigrant black workers could face deportation if economic sanctions are applied against South Africa is largely seen as empty by the country's employer organisations.

They argue that tha symbiosis of South Africa and its neighbours is such that mass deportations would hurt South Africa as badly as it would the countries which send their men to work in her mines and farms and factories.

The main problem with President Botha'a threat is that no one knows for certain just how many foreign blacks are working in South Africa. Official figures from the Department of Manpower indicate thet something less than 300,000 foreign blacks are employed legally in the country, of which about three quarters work in the important mining industry.

This is only part of the story, bowever. The total is probahly nearer to 1m, indicating that for every immigrant worker who enters the country legally, two or three alip across the border to find werk. Locating them all would he beyond the capabilities of the South African authorities, particularly as most would simply slip back in through the country'a porous borders.

Nevertheless, even e token gesture at deportations by the South African authorities could cause severe short-term problems for some neighboura.

The mining industry, which has an extensive recruiting network throughont the subcontinent and which depends almost exclusively on migrant workers to fill its manning requirements, employed 210,000 foreign black migrants in May this year. Of these, 51.6 per cent were from Lesotho and were concentrated largely in the gold mines of tha Orange Free State, 24.2 per cent were from the newly-found ally Mozambique, 9 per cent came from Botswana, a marginally-lewer percentage came from Malawi and 6.3 per cent were from Swaziland.

Last year, immigrant mineworkers sent R418m (£156.8m) back to their homes. Lesotho, Mozambique and Malawi, which insist that three-fifths of their nationals' wages he remitted directly, received at least R105m, R69m and R24m respectively.

Immigrants comprise almost two-fifths of the mining industry's workforce. Replacing them with locals would be impossible, as pay and conditions are not ettractive to locals, and the immigrant workers have a degree of skills not easily replaced.

The Chamber of Mines will net comment officially on the threat that foreigners might be repatriated, hut orgainsed agriculture is less inhibited. An official of the South African Agricultural Union makes no bones about the fact that e hlanket ban on immigrants would denude farms of workers in the Orange Free State near the Lesotho border.

He points out that in recent years, South African black agricultural workers have migrated towards the cities and industrial jobs, and that in the Orange Free State their places have been taken by semi-permanent employeea from Lesotho.

Mere tellingly, perhaps, he claims that in the Eastern Transvaal, egricultural employment of men from Mozambique is largely instrumental in preventing cross-border guerrilla attacks because the foreigners are happy to have e joh and keep out of politics.

"The farmers on the Mozambique border don't want to end up in the same position as those in northern Namibia," he says.

The Black Sash, e voluntary organisation concerned with the problems of blacks enmesbed in the weh of apartheid laws, points eut that immigrant workers have few rights and that they could be deported without redress.

Nevertheless, the Black Sash believes that the logistics of deporting even a fraction of the illegal hlack immigrant population would be beyond the capabilities of the autherities.

Official spokesman are vigorously back-pedalling on President Botha'a threat. They decline to be identified, but say that the President was only referring to illegals—which adds to the contention that tha deportation threat is hollow—and point out that large-scale deportations would imply a major shift in the country's foreign policy.

South Africa is increasingly criticised, but it has rigorously adhered to its strategy of persuading neighbouring and more distant black natiens of the advantages of close links.

It seems unlikely that the mandarins in Pretoria would allew intemperate moves on deporting immigrants te undermine relationships which have been establisbed so laboriously with independent black African nations.

SOUTH AFRICAN police said yesterday they have released 13 activists from detention out of 1,259 people held under sweeping state-of-emergency powers imposed 10 days ago, AP reports from Johannesburg.

Those released between last Wednesday and Monday were from five of the 36 riot-torn cities and towns covered by the emergency.

The police also reported continued scattered riot incidents overnight but no new deaths.

Saudis to take part in Arab summit

By Richard Johns

PROSPECTS for a meaningful Arab summit meeting next week, despite the certain absence and opposition of Syria, improved with the confirmation yesterday that Saudi Arabia will take part.

Mr Ali Shaer, Saudi Minister of Information, said that King Fahd would attend the meeting, called by King Hassan of Morocco in Casahlanca on August 7 "as it aims at unifying Arab ranks, which is a major goal of Seudi Arahia."

Saudi Arahia's initial silence following King Hassan's unexpected proposal was widely seen as reflecting its concern not to antagonise Syria.

Syria is adamantly opposed to the long postponed summit which is to discuss the joint Jordanian-Palestinian initiative. This is aimed at starting talks, initially with the U.S., with the ultimate objective of establishing a Palestinian state. By definition, this involves some form of recognition of Israel.

Its prime task will be to decide whether the February 11 accord between King Husscin of Jordan and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, conforms with the resolution of the last summit held in Fez, Morocco, in September 1982.

Both King Husseln and Mr Arafat are anxous to gain the blessing of at least the majority of the countries of the Arah world for the accord.

They will regard the holding of the summit as a success in itself hut Western diplomatic observers are doubtful whether the two leaders will receive anything more than a lukewarm acquiescence.

Israeli shot on West Bank

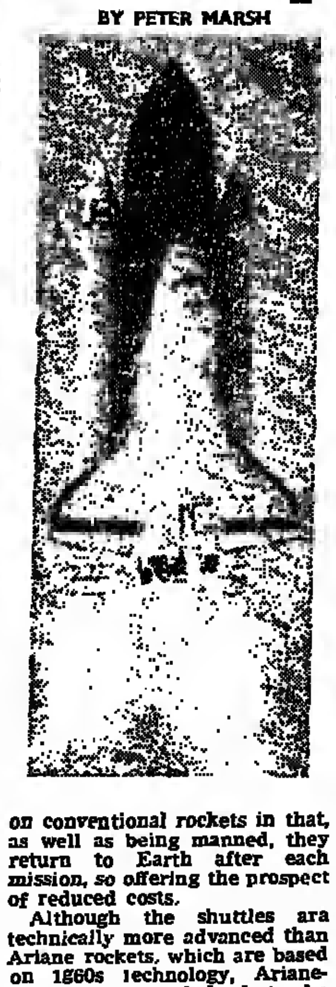
AN ISRAELI was shot dead in Nahlus on the Israeli-occupled West Bank, yesterday in an incident which is bound to intensify the pressure on the Government to apply the death penalty to convicted Arah terrorists, David Lennon writes from Jerusalem.

The dead man comes from the Israeli town of Afula, where three days ago there were angry demonstrations at the funeral of another resident who had been killed by a group of three West Bank Pelestinians.

AMERICAN NEWS

U.S. shuttle mishap may send customers to Europe's Ariane

BY PETER MARSH



AMERICA'S $15bn (£10.56bn) space shuttle programme faces further problems following Monday's drama in which Challenger, one of the three vehicles in the shuttle fleet, lost power from an engine five minutes after leaving the launch pad at Cape Canaveral.

If the incident had happened only 33 seconds earlier, before the shuttle had gained enough altitude to enter space, it would have been forced to make an emergency landing at a U.S. Air Force sile in Spain.

Controllers at the National Aeronautics and Space Administration (Nasa), the operator of the shuttle fleet, permitted Challenger to continue its week-long mission only after half an hour of anxious discussions and checks on the network of five on-board computers that control the vehicle.

An inquiry into the incident will start after Challenger's scheduled landing next Monday. Engineers will be ahle to examine the faulty engine, which was turned off by a computer after a temperature sensor indicated malfunction.

The most pressing prehlem is that, due to the power failure, the spacecraft is in an orbit of about 300km above the Earth, some 70km lower than Intended. This may affect scientific measurements of, for example, ultraviolet radiation from space.

Customers of the shuttle fleet, a prime contender in the $500m-a-year business of taking satellites into orhit, will he dismayed hy this latest mishap.

The malfunction may belp to persuade more organisations to place their satellite contracts with Arianespace, a Paris-based company selling launches on tha Ariane rocket developed by West European gevernments.

The shuttle fleet and Ariane roughly share the market fer taking into orbit commercial communications satellites, of which ebout 20 are launched each year.

In the past two years, the shuttles have experienced a number of problems in ejecting satellites from their carge bays into the correct erhit. On the last such eccasion, in April, a shuttle flight left an $80m U.S. Navy satellite drifting uselessly in space after e mechanical switch failed te turn on fellewing the vehicle's removal from the hay.

Such incidents have damaged cenfidence in the shuttles. They offer a theoretical improvement on conventional rockets in that, as well as being manned, they return to Earth after each mission, so offering the prospect of reduced costs.

Although the shuttles ara technically more advanced than Ariane rockets, which are based on 1960s technology, Arianespace is acknowledged to he more commercially adept than the state-run Nasa.

Shuttle flights have also turned out to he far more expeosive than envisaged initi-
20 AQ etsh oidl eshr aoldl
the 19th since shuttle flights began ln 1981 and the third involving Spacelah hardware owned hy Nasa under a deal with European Governments. It is costing about $300m, a hill footed almost entirely by the U.S. taxpayer.

Other shuttle flights, which de not invelve such expensive scientific hardware and ground-support operations, normally cost $100m-$200m for a week in erbit. Nasa recoups only a fraction ef this in fees from companies and Governments with satellites to launch, se requiring a heavy subsidy from the U.S. Treasury.

This week'a mishap is bound to cast uncertainty over the design ef the three main engines that each shuttle carries. The engines, built hy the Rocketdyne division of Rockwell, the U.S. aerospace contractor, are the most powerful space motors yet huilt.

They are intended to burn for the first eight minutes of each ahuttle flight, so propelling the vehicle safely into an orbit well above the atmosphere.

During Monday'a drama, all went well until just after three minutes into the flight. At this point a aensor on ene of the engine'a turbines indicated a temperature well above the 950 degree C limit for that part of the engine.

The turhines push hydrogen and oxygen through pipework to reach the high pressure needed for burning inside each engine's combustion chamber. The turhines contain moving parts made of high-temperature alloy which revolve at 30,000 revs/min.

Two minutes after the sensor reading, Challenger's network of five computers switched off the engine to prevent a possihle explosion. At this point, the vehicle was above Africa at a height of about 100 km — atill within the Earth'a atmosphere.

The vehicle's automatic equipment ordered the shuttle'a other two engines to hurn for one and a half minutes lönger than usual in an effort to compeusete for the switching off of the third.

Under the emergancy sequence and to reduce weight, Challenger dumped overboard some of its liquid fuel (used to power twe small motors needed for manouevres in orbit) and also ejected its fuel tank somewhat later than usual, over the Indian Ocean.

There are two possihle reasons for the failure. Either the aensor on the turbine was faulty or the turbine suffered e fault, for instance a broken fan-blade or bearing er e leaking seal.

A maulfunctioning sensor—a prohlem far easier te deal with on future flights—is the most likely cause.

Nasa controllers, guessing that the sensor was giving incorrect informatien and that the engine itself was unaffected, manually overrode the computers to stop them shutting down a second engine. Fortunately they guessed correctly and the mission stuttered on without a second sbut-down, which would bave proved disastrous.

U.S. June trade deficit climbs to $13.4bn

By Stewart Fleming in Washington

SPURRED ON by a surge in imports from Japan and a sharp increase in oil imports, the U.S. merchandise trade deficit jumped to $13.4bn ([illegible]) in June, the highest level since the [illegible] deficit recorded in July last year.

The disclosure brought another urgent plea from Commerce Department Secretary Mr Malcolm Baldrige who said that a further substantial drop in the value of the dollar was required to aid the ailing U.S. manufacturing sector.

He pointed out that although exports overall rose a slight 0.1 per cent, manufacturing exports declined and as a result the manufacturing sector trade deficit alone was running at a $108bn annual rate in the second quarter.

News of the latest deterioration in the trade balance came as President Reagan torpedoed efforts by Senate Republicans to achieve a major reduction in the Federal budget deficit over the next three years, deepening the rift in the Republican Party over economic policy.

With many Republicans on Capitol Hill claiming that it is vital to tackle the budget deficit in order to reduce the value of the dellar and improve the external accounts of the U.S., the President rejected the key components of the Senate budget package—an oil import fee and a change in the inflation-proofing of social security pensions.

In the wake of Mr Reagan's announcement, Senate Majority Leader Robert Dole, who has now been twice rebuffed by the White House, said that the President would find it harder in future to count on the support of some Senate Republicans.

The deterioration in the trade figures, and the President's refusal to support majer budget deficit surgery, cast another shadow over the Administratien's optimistic predictions that the U.S. economy will bounce back to a real annual rate of growth of 5 per cent in the second half of this year.

Right-wing to press Shultz to quit

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

LONG-SIMMERING right-wing discontent with Mr George Shultz, the U.S. Secretary of State, is expected to erupt into angry demands for his resignation at a conference organised by leading conservative groups in Washington tomorrow.

The conference has been called to conduct an "urgent review" of U.S. foreign policy, which right-wingers helieve to have been deliberately sidetracked by the State Department from the pure anti-Communist doctrines espoused by President Ronald Reagan.

Mr Shultz, who has long been a target of right-wing attack, shows ne sign of yielding to the latest onslaught. The State Department insists that be is loyally carrying out Mr Reagan's pollcies and the White House saya the president has complete confidence in him.

The conservative assault, however, has gained fresh momentum recently as terrorist attacks against the U.S. have gone unpunished, and even the Democrat-controlled House of Representatives has edopted a tougher anti-Cemmunist lina on a series of foreign policy issues.

Among the right-wing luminaries who are expected to address tomorrow'a conference are Conservative Senators Jesse Helms of North Carolina, Steve Symms or Idaho and Malcolm Wallop of Wyoming. Also present are expected to be a number of conservative-leaning former ambassadors, some of whom have already called for Mr Shultz'a resignation.

Right-wingers accuse Mr Shultz of developing his "own agenda," instead of the President's, and failing to support the "Reagan doctrine" of backing anti-Communist "freedom-fighters" around the world.

Specifically, Mr Shultz is accused of responsibility for the failure to retaliete for last month's Beirut hostage-taking, for being soft on the Soviet Union in the Geneva erms talks, and for failing te he tough eneogh against communism in either Central America or Southern Africa.

Volcker backs World Bank role

BY STEWART FLEMING IN WASHINGTON

MR PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, yesterday issued a strong plea for continued support for the World Bank and tha International Monetary Fund. They have "important ongoing roles to play in safeguarding international stability and in promoting sound growth in the world economy," he said.

"The role of the World Bank and the regional development lending institutions is likely to become much more critical" as developing countries "seek to sustain growth within the constraints of servicing existing debt and the less ready evailability of private credit," Mr Velcker told the House banking committee.

Mr Vocker'a vigorous endorsement of the two institutions' roles comes against a background of intense debate within the U.S. Government over the future scale of American contributions, not only to the World Banks' espital but also to a new tranche of finance for the International Development Association, the World Bank's "soft loan" agency.

Commenting on the outlook for the developed world, Mr Volcker said that "borrowing countries should now be looking ahead beyond tha immediate need for hudgetary and monetary adjustments.

But he warned that it "does not appear politically realistic" to look for "really major increases in long term official lending on congressional terms to the middle income developing countries." He added "I doubt that industrial countries are prepared to ease substantially debt burdens by taking over and writing off existing debt to private lenders."

He argued, however, that such approaches do not "seem to me essential if well-conceived adjustment efferts are maintained."

He suggested, however, that "the implication of these condltions is that it is too early for major borrowers to plan on net private inflows of capital."

GM chooses 'Saturn' site

GENERAL MOTORS, the world'a largest car maker, has confirmed that it has tentatively chosen Spring Hill, Tennessee, as the site for its advanced $4.5bn (£3.1hn) Saturn small-car manufacturing and assembly plant. The decision appears to end a fierce lobbying battle among state and local governments to attract the prestigious project, writes Paul Taylor from New York.

The choice of Spring Hill as tha site for the plant for GM'a new car—designed to compete head on with Japanese imports—had been widely rumoured.

GM sald the plant will generate an annual payroll ef about $200m.

Few takers for Castro hard line on debt

BY HUGH O'SHAUGHNESSY

THE Cartagena group, the Latin American governments which met last year in the Colombian resort of that name and were suspected of organising a "debtors' club," have suddenly this week become the moderates in the Latin American debt saga.

Its change of position contrasts with President Fidel Castro of Cuba who yesterday inauguarated a meeting in Havana te back his call for the unilateral repudiatien by Latin America of its $370bn (£258.9bn) of foreign deht.

The meeting fellows gatherings ef women's movements and trade unionists from the regien which heve supperted the Cuban president's thesis that the debt is "unpayable."

The object is to seize fer Cuba the leadership of Latin American public opinion on an issue which touches the lives of almost every Latin American as the demands of debt servicing hring austerlty throughout the area.

But whatever the attractions for the Latin American public of the idea of repudiating the foreign debt, Castro has net succeeded in attracting many Latin American leaders to his gathering which will continue through the week.

No serving Latin American president has accepted the Coban invitation. Some former heads of state will attend, including ex-president José Figueres of Costa Rica and ex-President Walter Guevara Arce of Belivia but most representation has been kept to the official level. Castro has called his confrères "cowards" for not backing his stand.

They accuse him of declaiming one policy and following another. They point to the fact that the Netional Bank of Cuba has tried to keep the best of relationships with its Western commercial creditors (to whom it owes some $3.3bn) while getting good terms out of the Soviet Union to which it owes more than $10bn.

While keeping a wary eya on what goes on in Havana bankers will be concentrating their ettentions on the meeting of the Cartagena group which also started yesterday in Lima. Within 48 hours of the installation of President Alan Garcia and his announcement that Peru would be paying ne mere than 10 per cent of its export revenues on the servicing of its debt, representatives of all the main debtor nations ara planning their new strategies.

The Cartagena meeting, a steering group for the full-scale Cartagena encounter due next month in Montevideo, is being chaired by Sr Enrique Iglesias, the fereign minister of Uruguay.

Sr Iglesias said in Lima that the Cartagena group wanted te make preparations for a greater dialogue on economic issues with the European Community. He knows that if the Latin Americans are to start discussiens at a political level about the debt crisis, they will have to come to Europe. In Lima this week they are planning how best to de that.

UK NEWS

Debenhams in link with Fraser group to block Burton bid

BY MARTIN DICKSON

HOUSE OF FRASER and Debenhams, Britain's two biggest department stores groups, yesterday unveiled a joint initiative to block Burton Group's £550m bid for Debenhams and instead form their own joint ventures.

Provided the Burton bid lapses, they intend to put together their credit finance businesses and merchandising and distribution operations.

The deal was announced just three days before Burton's bid closes and was regarded in the City of London as substantially reducing its chances of success.

House of Fraser, which by yesterday morning bad built up a 17.5 per cent stake in Debenhams, said that it would not accept Burtoo's offer. It intended to go on buying Debenhams shares – there was speculation last night that it had reached 20 per cent – although it was not its "present intention" to make an offer for the group.

Burtoo last night attacked the deal as a "desperate, last minute manoeuvre" by Debenhams to deprive shareholders of its offer.

Britoil offer set at 185p to draw small investors

BY DOMINIC LAWSON

THE GOVERNMENT will receive about £434m from the sale of its remaining 49 per cent stake in Britoil, the world's largest independent oil exploration company.

By the middle of yesterday afternoon the entire issue, offered at a price of 185p a share, had been applied for by British, European and Canadian financial institutions. The prospectus will be published tomorrow.

The issue, priced at a 9.8 per cent discount to the prevailing price yesterday morning of 205p a share, will raise £449m, but fees and advertising associated with the issue are likely to cost the Government about £15m.

Almost 20 per cent of the offer will go overseas, following the example of the Britisb Telecom flotation last year. About 10 per cent of the shares are headed for Canada, while the other 10 per cent will be offered to Swiss, German, Austrian and Dutch investors by a syndicate of banks led by the Swiss Bank Corporation.

Mr Andrew Large, n director of Swiss Bank Corporation, said yesterday that European investors could have accommodated double the amount made available by the Britisb Government. "London is the centre of the Eurobond market; there is no better place to start a Euro-equity market," be said.

The inital 51 per cent of Britoil was sold at 215p a share in November 1982, but flopped, with 70 per cent of the offer left with underwriters. In order to nvoid a similar embarrassment, Lazard Brothers, the Government's advisers, have placed half the UK offering firmly with institutions, which bave also offered to subscribe for any shares not subsequently applied for by the public, existing shareboiders, or Britoil's employees.

The near 10 per cent discount to the prevailing market price is more generous than any of the previous Government secondary share offerings. However, the 185p price puts the shares offered on a prospective yield of exactly 10 per cent, a figure designed to pull in the small investors and retain the support of UK financial institutions which suffered big paper losses on the initial offering.

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NatWest's first-half profit rise fails to meet expectations

BY DAVID LASCELLES, BANKING CORRESPONDENT

NATIONAL Westminster Bank, the UK's second-largest bank, boosted its pre-tax profits by 20 per ceot to £354m in the first half of this year – belped by an improvement in its international operations. But these first results in the banks' interim reporting season were well below expectations and triggered a sharp fall in bank share prices on the stock market yesterday.

Lord Boardman, NatWest's chairman, said the results marked "n very good operating performance in highly competitive trading conditions." But he said sterling's greater strength since the start of the year had had "a considerable adverse effect on our figures."

Mr Philip Wilkinson, the group chief executive, estimated that if sterling had remained at its level of last December 31, the bank's profits would have been £31m higher. But the pound's recovery against other currencies had reduced the value of the group's assets and earnings overseas.

Mr Wilkinson commented that prospects on the home and foreign markets for the rest of the year were favourable given the likelihood of further falls in UK interest rates.

The biggest improvement came in NatWest's international operations where profits rose by 56 per cent, mainly because of its highly successful $13bn U.S. venture, NatWest USA, which registered a 56 per cent increase in net income for the balf year.

NatWest's UK banking business raised profits by 8.7 per cent, and its related banking services division, which includes Lombard North Central, the large finance house, by 10 per ceot.

Sterling's strength against the dollar reduced the size of NatWest's dollar assets, however, and left the bank with a slightly smaller balance sheet on June 30: it totalled £70.5bn, down from £71.5bo at the end of 1984. Had currencies remained unchanged, NetWest's assets would have grown by four per cent.

The surprise of NntWest's results – which some analysts bad said would rise by 40 per cent or more – knocked more than 40p off its share price, though it recovered towards the close to end with a loss of 25p

Details on companies, Page 23; Lex, Page 16

Competition hit by 'abuse of veto'

BY PETER RIDDELL

EUROPE'S ABILITY to compete with the U.S. and Japan has been seriously damaged by institutional weaknesses in the EEC, leading to a failure to take the hundreds of decisions necessary to open up its internal markets, a report from a House of Lords committee argues today.

The committee highlights the abuse of the national veto and says a lack of progress has particularly affected the market for internal services inside the Community for which Britain bas been pressing.

The Lords Select Committee on the EEC says the decision-making process cannot be unblocked without more majority voting, although it accepts that each country should bave the right to veto a decision when a vital national interest is at stake. But in those circumstances the bead of state or government should explain why such an interest is at stake.

The committee argues that the EEC could work quite adequately, if allowed to do so, without a completely new treaty, and that "the time is not ripe" for the type of new treaty proposed by the European Parliament io seeking to establish a European union.

Far East expansion sought by BCal

BRITISH CALEDONIAN Airways (BCal), the independent airline, is planning to build up a network of routes into and out of Hong Kong, Michael Donne writes.

It will use an existing subsidiary company, Caledonian Far East Airways, which it acquired two years ago, and has applied to the Hong Kong Air Transport Licensing Authority for a series of route licences and for an air operator's certificate.

The routes it seeks are those linking Hong Kong with Peking, Canton, Hangzhou, Tianjin and Guilin in China, Chiang Mai in Thailand, Bali in Indonesia, Cebu in the Philippines, Rangoon in Burma, Kuching in Sarawak and Bandar Seri Bagawan in Brunei.

□ THE Government has announced n shuffle of senior civil servants that will put two close advisers of Mrs Margaret Thatcher, the Prime Minister, in charge of control of public spending at the Treasury. Mr Robin Butler, Mrs Thatcher's private secretary, is being promoted back to the Treasury as second permnnent secretary in charge of spending. His present deputy will be promoted to under-secretary in charge of spending. Men and Matters Page 14.

□ THE white-collar union, the Association of Professional, Executive, Clerical and Computer Staff (Apex), is selling investments totalling more than £200,000 in five companies which it says have interests in South Africa. The companies are Allied Colloids, Guardian Royal Exchange, Hanson Trust, Hawker Siddeley and British Tyre and Rubber.

□ NEW EEC rules making manufacturers strictly liable for damage caused by defects in their goods will come into force in the next three years, Lord Lucas of Chilworth, junior trade minister, has told the House of Lords.

□ A STRIKE which threatened September's launch of the European space rocket, Ariane, was called off when 160 skilled workers returned to their jobs at the NEI Thompson engineering factory at Poole, on the south coast of England. The factory makes vital parts for the rocket.

□ SALES of Scotch whisky abroad could rise to more than £1bn this year. The Scotch Whisky Association said sales in the first half of the year earned £475m and there were signs that the decline in world sales had ended.

□ MIDLAND BANK has joined the Channel Tunnel consortium which is bidding for British and French government approval to build a twin-bore tunnel under the English Channel. The £2bn scheme will be entirely privately financed and operated and is expected to take four years to build.

Wine testing procedures to be tightened

Financial Times Reporter

THE GOVERNMENT fears that a lack of standardised testing procedures may allow polluted wines entering the country to be declared pure. It is now trying to co-ordinate test activities in laboratories around the UK.

Efforts to trace imported Austrian wines contaminated with diethylene glycol have already been expanded to include wines from West Germany, Yugoslavia, Bulgaria and Hungary.

Dr David McWeeny, head of the food science laboratory of the agriculture ministry, said yesterday: "There is no accepted technology for analysing this particular contaminant and now a large number of laboratories are being asked to produce data quickly."

Dr McWeeny's own unit has so far found that 14 bottles out of 107 tested contain the chemical in small quantities. He said he was testing at the rate of about eight bottles an hour for up to 14 hours a day. The Government has not yet asked retailers to stop selling any wines other than those from Austria.

In South Yorkshire, an analysis firm retained by the county council has found seven polluted wines out of 60 tested so far.

Laker liquidator loses case against banks

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MIDLAND BANK and its Scottish subsidiary, Clydesdale Bank, have defeated the attempt by the liquidator of Laker Airways to join them as defendants in his $1.1bn anti-trust damages actioo in the U.S.

The Court of Appeal said in London yesterday that the liquidator, Mr Christopher Morris, of Touche Ross had produced no evidence to support his claim that the banks had been parties to an alleged conspiracy to put Laker Airways out of business.

Holding that it would be "unconscionable" for the banks to have to face anti-trust proceedings, the three judges reinstated an injunction, originally granted in 1983 but discharged last month, ordering the liquidator not to pursue his anti-trust claim against the banks.

Mr Morris was refused leave to challenge the ruling in the House of Lords, the final stage in the appeal procedure. He was told he would have to seek leave to appeal from the Law Lords themselves.

The liquidator, who argued that under U.S. law he did not need to produce evidence at this stage, alleged that the banks had made themselves party to n conspiracy by U.S., UK and European airlines by withdrawing from a rescue operation mounted to save Laker.

He relied heavily on a House of Lords ruling last year that he was entitled to sue British Airways and British Caledonian under the anti-trust Clayton and Sherman Acts.

The appeal judges, however, ruled that the banks were in n wholly different position to the UK airlines, in that the banks had not operated in the U.S. and therefore not subjected themselves to U.S. law.

Lord Justice Lawtoo said that the banks' connection with Laker had arisen from banking transactions in England, governed by English law. At the material time they had had no banking business in the U.S., except on the international inter-bank market.

Yet the liquidator was "trying to make the banks liable to the heavy financial penalties which can be awarded in a U.S. anti-trust suit for acts done in England in respect of which he has no claim at all in England.

"In my judgment this would be unjust and unconscionable. The liquidator has not, by English standards, got the beginnings of a case to justify a charge of conspiracy against the banks."

Lord Justice Lawton said that it had been at the Bank of England's request that Midland had become the lead English bank in the Laker rescue operation, from which it withdrew when Laker's financial situation worsened.

Midland said – supported by the Bank of England – that if its efforts to help Laker made it liable under anti-trust law, banks would in future hesitate to offer facilities to any customer, English or foreign, carrying on, or intending to carry on, business in the U.S.

Lord Justice Dillon said it would be a grave situation if English banks, when invited by the Bank of England to mount, for domestic English reasons, a rescue operation in England for an English company whose operating subsidiary had done business in the U.S., had first to consider the risk of being "entangled in the meshes of the U.S. anti-trust procedures."

The judge spoke of the "farrago of suspicion upon innuendo upon suspicion" that seemed to characterise the building-up of an anti-trust suit by U.S. pre-trial procedures, and suggested that it was important to insist on keeping U.S. anti-trust procedures within the U.S. territorial jurisdiction "in accordance with accepted standards of international law."

Lord Justice Neill accepted the liquidator's argument that it was premnture to assess the sufficiency of the evidence against the banks. But, he said, given the English context of their dealings with Laker, justice required the nppeal court to intervene to prevent them being subjected to the anti-trust proceedings.

He said it was not right for the court to criticise the wide-ranging nature of U.S. anti-trust legislation. He pointed out that "on this side of the Atlantic" also there were legal rules – such as Article 86 of the Treaty of Rome – designed to stimulate competition and control restrictive practices.

This advertisement is published by Debenhams PLC, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

DEBENHAMS SHAREHOLDERS

The following is the text of a joint press announcement from Debenhams plc and House of Fraser plc released yesterday.

“During the course of the Burton offer for Debenhams, House of Fraser has acquired 29,480,000 Debenhams ordinary shares (representing 17.52% of the issued share capital). The Board of Debenhams, advised by N. M. Rothschild & Sons Limited, has urged Debenhams shareholders not to accept Burton's offer, which it regards as inadequate.

House of Fraser regards its interest in Debenhams, with its rapidly rising profits and strong growth potential, as a sound commercial investment. The Boards of both companies believe that the two groups are compatible in terms of style, business and management. House of Fraser does not intend to accept Burton's offer and intends to purchase further Debenhams shares.

In particular, there are two areas in which the two groups intend to co-operate and which present major opportunities for increased profitability. These are as follows:

Financial Services

The last published accounts of Welbeck Finance plc, Debenhams' credit finance company, show that it made over £20 million profit before tax on average debt of over £200 million, a return of nearly 10%.

With sales within House of Fraser now running at over £1 billion per annum and within Debenhams at over £700 million per annum a combination of the two credit businesses should lead to credit sales of over £500 million.

The combined credit businesses would then have some 2.2 million cardholders. A combination of the existing credit debts would produce debtor balances of around £400 million, expected to rise to approximately £600 million within two years.

Merchandising and Distribution

In view of the similarity of merchandise sold by the two groups through both their central buying and their shop-in-shop concessions, there are considerable operational efficiencies available through combined new investment and the sharing of existing resources.

Clearly these arrangements are subject to the Burton bid for Debenhams lapsing, to detailed agreement being reached and, as appropriate, to the approval of Debenhams' shareholders.”

Burton has put forward no commercial arguments justifying its repeated claims to be able to better the excellent performance of Debenhams. Burton, with or without the assistance of Habitat-Mothercare, has no record of the skills required in managing efficiently Debenhams multi-level stores. Nor have they declared any intention of continuing to offer customers the broad range of quality merchandise currently available in Debenhams stores. Furthermore Burton has, transparently, nothing to offer the other well-known Debenhams businesses such as Harvey Nichols, Hamleys, Lotus and Rayne.

The stance of the House of Fraser reinforces your Board's view that Debenhams shareholders should:

- ☐ ***reject Burton's inadequate bid***
- ☐ ***retain their Debenhams shares***
- ☐ ***continue to participate in the strong growth potential of Debenhams***

IGNORE THE BURTON BID

DEBENHAMS SHAREHOLDERS SHOULD NOT SIGN ANY FORMS SENT TO THEM BY BURTON

The New
DEBENHAMS
Specialists - above all

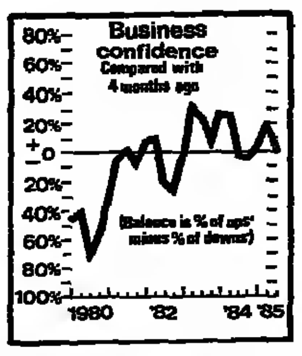
KEEP YOUR DEBENHAMS SHARES

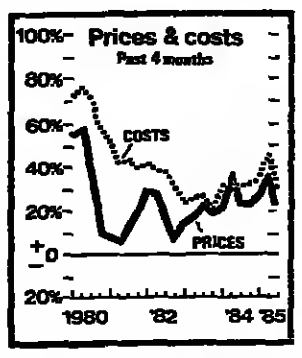
UK NEWS

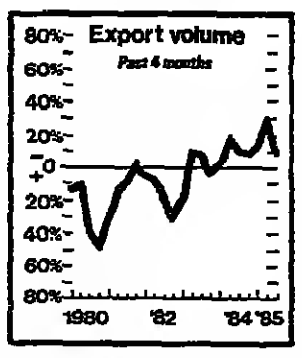
CBI SURVEY OF INDUSTRIAL TRENDS

Business optimism levels off

BY MAX WILKINSON, ECONOMICS CORRESPONDENT







MANUFACTURING industries in Britain enjoyed a further rise in demand and output during the second quarter of the year. There were reductions in inflationary pressures and a markedly fuller use of capacity, the Confederation of British Industry (CBI) said in its latest survey of industrial trends.

The survey of 1,573 companies suggested, however, that the rate of growth would level off during the next few months, with business optimism now at a plateau, although it has not fallen from recent high levels.

The CBI says: "This situation is obviously affected by export prospects. The slowdown in world trade growth and the renewed strength of sterling particularly against the D-Mark have affected export orders and optimism. The strength of sterling is also strongly affecting export margins and weakening price competitiveness.

"Investment is also now expected to be flat over the next year and the cost of finance has become a markedly more important constraint. Nevertheless, capacity is less adequate to meet expected demand than at any time since 1979. Taken together this suggests that growth may be moderating."

Nearly 70 per cent of those answering the questionnaire had unchanged levels of optimism compared with four months ago, with equal percentages reporting increases and decreases in confidence. The balance – the proportion reporting a rise minus the proportion reporting a fall – was zero. The CBI says this suggests that optimism has levelled off after a sharp rise in April.

Growth of new orders during the previous quarter was reported to be slower than in the last two surveys, with a balance of 10 per cent reporting a rise in orders compared with 24 per cent in April. The CBI said this rise was also slower than had been expected in April.

The slowing of new orders is most marked in smaller companies although companies in the chemical, electrical and instrument engineering sectors are still reporting rising order books.

Output continued to rise, but at a slower rate than had been expected. A balance of 18 per cent reported a rise, compared with 21 per cent reporting rises in April and 27 per cent then expecting further rises. This result is still good compared to the figures of recent surveys.

The smaller and the largest companies continued to report faster growth in output than in April, and the chemicals, metal manufacture, textiles and electrical sectors were particularly buoyant.

Just under three quarters of companies still report that shortage of orders or sales is the main constraint on output. This is the same result as in April and still above the best result at the last peak of economic activity, in 1979, when the figure was just under 70 per cent. More companies are now complaining of shortages of skilled labour, with the proportion at 15 per cent.

After the recent sharp rises in investment in plant and machinery the survey suggests a flat trend over the next year, with about an equal number of companies expecting investment to rise as those expecting a fall. This is the weakest result since the beginning of 1983. Smaller companies still expect to increase spending on plant and machinery, while the largest ones are cutting back.

After some recent hints that manufacturing industry was increasing its workforce, the survey shows that jobs are still being lost and that more are expected to be lost.

A significant weakening of inflationary pressure is suggested, with the balance of companies reporting a rise in average costs per unit of output down to 30 per cent from 47 per cent in April. This result is better than any during last year and the trend is expected to continue over the next four months.

The proportion of companies expecting to increase prices has also fallen faster than expected. This moderation is also expected to continue, particularly in the capital goods sector.

The CBI says: "Not surprisingly, export optimism has ceased to rise strongly in this survey. However, a balance of 2 per cent are still more optimistic than a few months ago. This is the lowest balance since 1982, and all but the smaller companies report a fall in optimism."

Top salaries row dents Tory support

BY TOM LYNCH

THE GOVERNMENT'S decision to award huge pay rises to civil servants, judges and generals has cost it an immediate 5 per cent drop in an opinion poll and pushed the Conservatives into third place behind the Labour Party and the Social Democratic Party/Liberal Party Alliance.

A Mori opinion poll in the London Standard newspaper showed the drop in government support after the decision on top people's pay was announced in the middle of polling.

The Government suffered an embarrassing four-vote defeat in a packed House of Lords late on Monday night over its handling of the award of pay rises averaging 15 per cent to senior members of the Civil Service, the armed forces and judiciary.

Labour peers cheered as the 140-136 vote was announced. The vote was on a Labour amendment to an Order implementing an £11,000 pay rise for Lord Hailsham, the Lord Chancellor, which expressed regret at the "insensitive implementation" of the pay rises in the context of public-sector wage policies.

The defeat came as a surprise after a debate in which there were no dissenting speeches from the crowded Government backbenches, such as those preceding last week's Commons revolt which cut the Government majority to 17.

Lord Murray, the former TUC general secretary, Lord Denning, the former Master of the Rolls, and the Bishops of Manchester and of Bath and Wells joined in the criticism of the Government's timing of the awards.

Several Tory backbenchers strongly backed the Cabinet decision, however, and the Government also won the support of most speakers from the cross-benches.

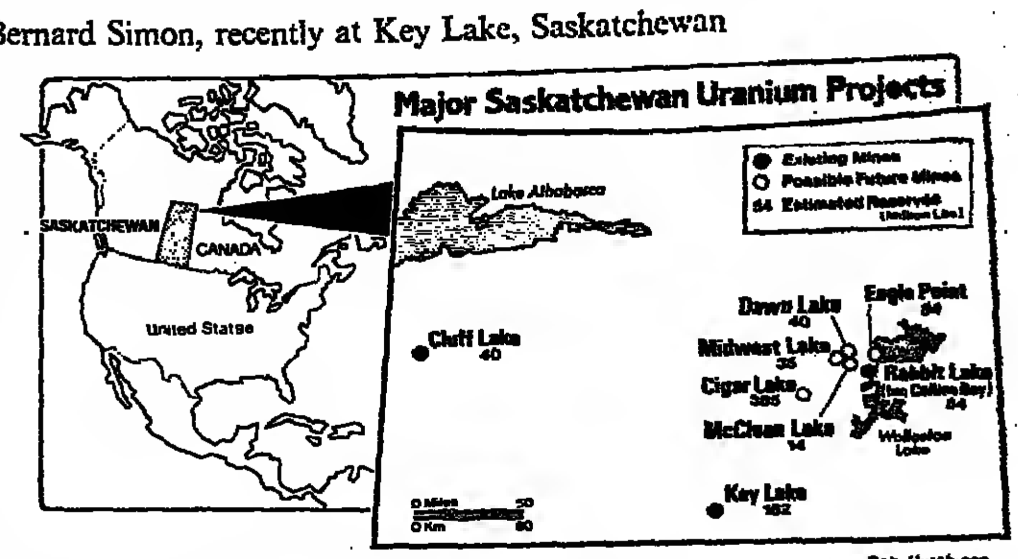
During the debate, the Earl of Gowry, the Civil Service Minister, admitted the Government "should have spent more time preparing our announcement" of the acceptance of the Top Salaries Review Body recommendations.

But he said there was no really suitable time for such an announcement. "I hear the criticisms about presentation from our own supporters, but I find them wholly bogus from the Opposition." He referred to a 35 per cent top-salaries award announced by Labour in 1978.

RESOURCES REVIEW

Saskatchewan makes sure of its key share of the world uranium market

By Bernard Simon, recently at Key Lake, Saskatchewan



Bob Hutchison

A MANAGER at the Key Lake uranium mine in Northern Saskatchewan matter-of-factly points out a mound of greyish-brown ore between the mine's two pits as "our low-grade inventory." His nonchalant description helps explain why Key Lake and other deposits in the so-called Athabasca Sandstone basin, north of the Saskatchewan prairies, have profoundly unsettled uranium producers throughout the world.

Key Lake is the biggest and one of the richest uranium mines this side of the Iron Curtain. The material in its "low-grade" stockpile, containing 0.6 per cent of uranium oxide (U_3O_8), is at least twice as rich as ore produced by its major competitors in Australia, Central and Southern Africa, and Eastern Canada. The Key Lake deposit's average grade of 2.4 per cent is ten times higher than the Ranger mine in Australia and 75 times richer than the big Rossing deposit in Namibia.

Mine officials estimate that one hour's exposure to the grey seam at the bottom of the Gaertner pit (the second pit, known as the Deilmann pit, will not be mined until 1988) provides as much radiation as a medical X-ray. Lead shields separate the drivers' cabs of mine haulage trucks from their loads of ore.

Production costs at Key Lake are not disclosed. Said to be somewhat below C$20 a lb, they are low enough for the three shareholders — the Saskatchewan Mining Development Corporation (50 per cent), Uranerz of West Germany (33 per cent) and the Canadian state-owned uranium company Eldorado Nuclear (17 per cent) —to have brought the mine to production at a time of sliding uranium prices in late 1983, and to have stepped up output this year to full capacity of 12m lb.

Thanks to Key Lake, Saskatchewan's share of non-Communist uranium production has jumped from less than 5 per cent in 1980 to an expected 17 per cent this year.

The province's known reserves are sufficient to supply all the West's existing nuclear reactors with fuel for the next 15 years. If deposits north-east of Key Lake—including some much richer — are mined, Saskatchewan is expected to provide well over 20 per cent of the West's uranium output by 1995.

Key Lake's shareholders have put the cat among the pigeons by using their cost advantage to sew up sales contracts with at least two dozen utilities in North America, Europe and the Far East. Mr Roy Lloyd, SMDC's president, says with some understatement that "it was important to pick up the available market. This has meant to some degree being competitive."

According to Mr Lloyd, long-term contracts have been concluded for 60-70 per cent of SMDC's share of Key Lake production up to 1990. The three shareholders market their allotments independently, with the exception of Japan, where SMDC and Eldorado co-operate. The two companies signed a C$250m contract in July to supply 2,700T of uranium oxide from Key Lake to Kyushu Electric Power of Japan from 1987 to 1999.

To the occasional irritation of producers, the Canadian Government imposes a number of curbs on export sales. It insists on bilateral safeguard agreements, thus ruling out sales to Taiwan and Switzerland. Ottawa also normally stipulates that Canadian uranium must be processed in the country, but some exceptions have been made to clinch sales to U.S. utilities.

The bulk of Key Lake's business appears to be profitable. SMDC's net earnings from Key Lake and its 20 per cent stake in the smaller Cluff Lake mine in North-West Saskatchewan jumped sevenfold last year to C$15.2m. Concentrate sales rose from C$13.5m in 1983 to C$133.3m.

The impact of the Saskatchewan mines on world uranium markets is clear from the difficulties currently confronting producers in Eastern Canada, where the average grade of deposits is only about 0.1 per cent and where underground operations push up mining costs.

Mr Stephen Roman, chairman of Denison Mines, which operates a mine at Elliot Lake, Ontario, complained earlier this month that the Saskatchewan mines "placed a great additional strain on a weakening market. The Federal Government approved export contracts and long-term commitments at prices with which even the Saskatchewan producers must be uncomfortable."

Denison's biggest customer, Ontario Hydro, has asked for a 9 per cent cut in contract volumes and the Elliot Lake mine is examining ways of cutting its workforce.

The opportunity for Saskatchewan producers to raise their share of the uranium market still further appears limited by utilities' well-known preference for a diversity of supply sources. Mr Lloyd says: "I think it could perhaps be pushed marginally higher — how much is another question."

Like their competitors, Saskatchewan producers are banking mainly on an upturn in demand and a rundown of existing inventories to open up new markets for their material. They are sufficiently confident of this happening to press ahead with a number of uranium exploration and development projects.

About 40 companies, including several foreign mining groups and utilities, are active in North-east Saskatchewan. Among them: the French nuclear company Cogema, a subsidiary of the French Atomic Energy Commission, Idemitsu Kosan of Japan, Korea Electric Power and Britain's Central Electricity Generating Board.

SMDC, a provincial government agency, is involved in about 100 exploration ventures altogether. But with a strong tradition of co-operative social democracy on the prairies, chances of the company selling its interests to private investors seem remote. A public share offering is a possibility.

Besides its interest through SMDC, the Saskatchewan Government stands to benefit handsomely from royalty payments. Royalties rise according to a mine's rate of return, starting at 3 per cent of gross sales and reaching as much as 50 per cent. Saskatchewan's revenues from Key Lake taxes and royalties, likely to total around C$120m this year, could rise to C$400-600m in the early 1990s if uranium prices rebound significantly.

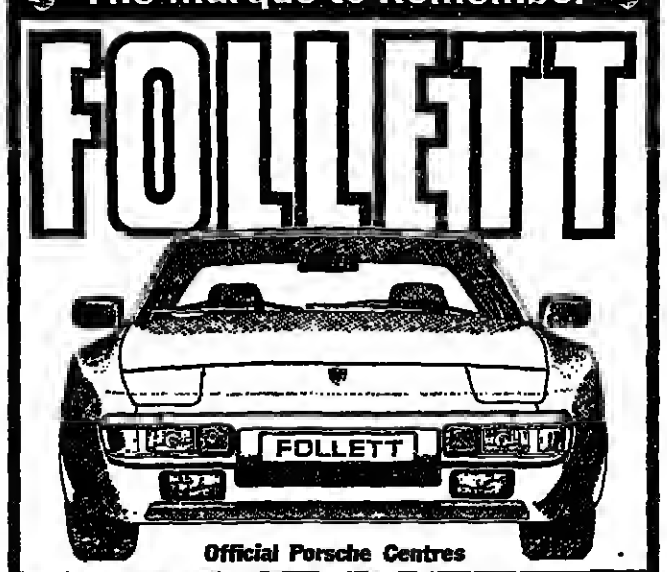
With Key Lake at full production, interest is now turning to the rich, vast deposit at Cigar Lake 115 km to the north-east. Reserves at Cigar Lake are estimated at 385m lb of uranium oxide, almost half of Canada's entire known reserves, including Key Lake.

The grade of the 1,850m-long Cigar Lake deposit, which is at an average depth of 430m, is an astonishing 14.5 per cent. Underground mining operations will probably have to be remote-controlled to minimise the danger of radiation to mine workers.

The three participants in Cigar Lake—SMDC (51 per cent), Cogema (37 per cent), and Idemitsu (12 per cent)—have formed a joint venture to examine feasible mining methods. It is still uncertain to what extent the advantages of low mill construction and unit operating costs will be offset by what seems likely to be a sophisticated mining operation. But Mr Lloyd at SMDC asserts: "All the partners have complete confidence that it can be mined economically."

The timing of Cigar Lake's development, Mr Lloyd says, will be "market-driven." Based on expectations of firmer demand for uranium, the partners are aiming for a start-up date between 1992 and 1995.

The impact that Cigar Lake will have on the uranium market can only be guessed at, especially if projections of new nuclear generating capacity fail to materialise.



The Tactical Edge

This year, First Boston's Merger and Acquisition Group has acted as financial advisor on 5 of the 6 largest deals, more than any other investment banker.

1985 Transactions

Acquiring Companies	Acquired Companies	Form of Transaction	Transaction Size
General Motors Corporation	**Hughes Aircraft Company**	Sale of Stock*	$5,300,000,000
Allied Corporation	The Signal Companies, Inc.	Merger for Cash and Common Stock*	5,000,000,000
Baxter Travenol Laboratories, Inc.	American Hospital Supply Corporation	Merger for Cash and Securities*	3,800,000,000
Capital Cities Communications, Inc.	**American Broadcasting Companies, Inc.**	Merger for Cash and Warrants*	3,500,000,000
Nestlé S.A.	Carnation Company	Cash Tender Offer	3,000,000,000

First Boston's clients are indicated by bold type.
*Pending transaction.

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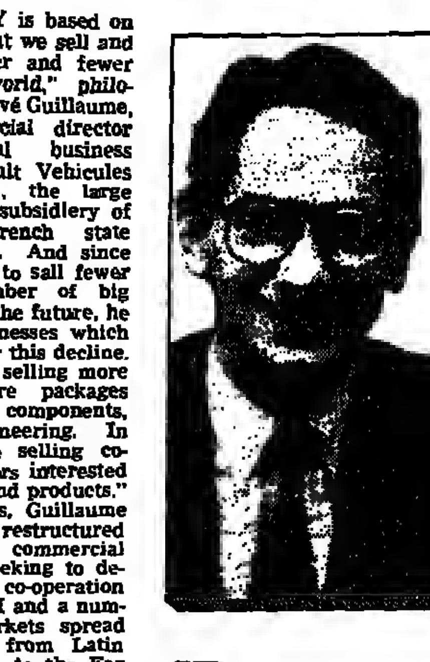
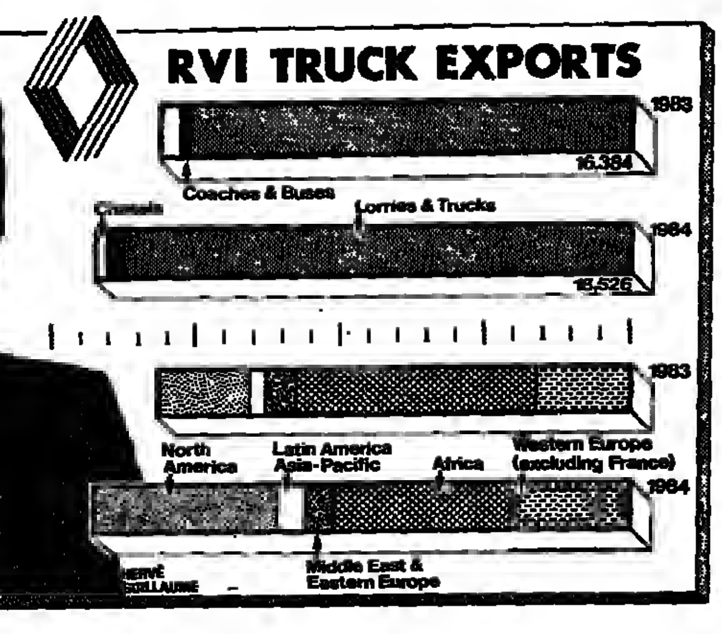
EDITED BY CHRISTOPHER LORENZ





Renault finds a barter way to sell trucks

BY PAUL BETTS IN PARIS

"OUR STRATEGY is based on the simple fact that we sell and we will sell fewer and fewer lorries in the world," philosophically says Hervé Guillaume, the new commercial director and international business manager of Renault Vehicules Industriels (RVI), the large loss-making truck subsidiery of the troubled French state Renault car group. And since Guillaume expects to sall fewer trucks in a number of big export markets in the future, he is developing businesses which will compensate for this decline. "What we will be selling more and more of are packages involving trucks, components, services and engineering. In short, we will be selling co-operation to partners interested in our technology and products."

In recent months, Guillaume and his recently restructured and streemlined commercial team have been seeking to develop and intenisfy co-operation efforts between RVI and a number of export markets spread across the world from Latin America, to Africa, to the Far East and China. These efferts are all the more important since they come at a time wben RVI, like its parent Renault, is striving to cut losses in a fiercely competitive market.

Last year RVI lost FFr 2.99bn (£245m) while tbe Renault group chalked up record losses of FFr 12.5bn in 1984. Moreover the French truck market has continued to be depressed, with sales in the first five months of the year 22 per cent lower than during the same period last year. RVI, whicb has about 40 per cent of the market, expects truck sales in France to total between 33,000-35,000 lorries this year compared with an initial forecast of about 38,000 lorries.

Although there has been a small improvement in export sales in Europe, other overseas markets, especially in the developing world, have continued to decline. Overall, RVI had a respectable export performance last year with export sales of FFr 4.97bn or 37 per cent of the truck company's total sales of FFr 13.5bn in 1984. Exports were 13.1 per cent higher in volume than in 1983 although they declined 18.9 per cent in volume in developing countries and by 26.2 per cent in Africa. However, Guillaume claims that RVI retreated less than its main competitors in these markets where the competition saw its sales decline by about 40 per cent.

To consolidate and expand RVI's position in developing export markets, RVI has adopted what Guillaume calls an open-minded approach to co-operation with any French company prepared to enter into a wide range of co-operation and barter compensation agreements with partners in developing countries. But Guillaume emphasises that RVI is not prepared to make deals which lose money. "Most countries want to set up a mechanical and motor industry. But it is not my job to subsidise a national industry in France or elsewhere."

RVI, like other large European exporters, now makes widespread use of barter compensation agreements with developing countries for payment of its equipment or services. About half of RVI's export sales outside Europe and North America involve some form of compensatary agreement. From some conntries, RVI buys components for its own truck and hus production or various commodity products which it subsequently resells. "Sometimes the barter can involve an entire contract, sometimes only 10 per cent of a sale," Guillaume explains.

Guillaume does not beliave in blockhuster co-operation contracts and prefers smaller scale deals which can form the basis of lasting and growing co-operation between RVI and other partners. Big deals, ha says, inevitably involve extremely tough competition, they require complicated packages with sub-contractors, and have major political connotations.

"Our aim is to develop bilateral ventures into multilateral co-operation deals between a number of different parties," be says. RVI, for exampla, sold 155 trucks to a Turkish company called Transturk which needed lorries to supply 350,000 tonnes of pipes made by the French Saint-Gobain-Pont à Mousson group to Iraq for the Baghdad wsterworks. RVI was paid for tha trucks with Iraqi crude oil. Guillaume says that in many compensation agreements, RVI tries to find other markets for the products of its clients when the French company cannot itself absorb these products.

RVI's current efforts in the Chinese market are a good example of this strategy in practice. RVI has been present in China for many years bnt recently its activities there were hoosted by the sale for FFr 40m of one of its older diesel engine plants. The RVI diesel engine plant was based in Naples, Italy, and is currently being dismantled and sent to China where it will be reassembled at Nankin. The deal suits both parties in that the Chinese were looking for a quick intermediary solution to their diesel engine needs while the Naples plant was no longer of interest to RVI.

Tha deal is interesting for RVI because it will give the Rensuit truck subsidiary a second source of diesel engines for trucks manufactured in other countries under RVI licence. More significantly, the French group sees this deal, alheit modest by comparison with some other co-operation ventures between China and Western motor concerns, as e way of becoming an important partner for the Chinese in their efforts to build a lorry industry of their own. In turn, RVI hopes to see its sales of components to China increase. "And this does not prevent us also from selling lorries to China," adds Guillaume.

RVI is also beginning to reap the fruits of its collaboration in export markets with Mack Trucks, the U.S. truck manufacturer in which the French company holds a controlling stake. For example, through Mack, RVI has just won its first contract to supply buses to an Australian urban transport authority. The contract involves 60 buses for the city of Perth and is exnected to be followed up in coming months with a contract for anothar Australian city. "Mack bas been in Australia for donkeys' years. We would never have attempted to penetrate the Australian market without Mack. It would have been beyond our means," remarks an RVI senior export official. Apart from bus deals, Mack's Australian subsidiary is now assembling a 38-tonne Renault truck model in Australia.

RVI is also seeking to use its Mack connection to boost its penetration of the Latin American market where the French truck company has traditionally been weak.

After the dramatic top management reshuffle at Renault at the beginning of this year, there were some initial doubts about Renault's future intentions over Mack. But Philippe Gras, the new chairman of RVI, has made it abundantly clear that Renault has no intention of selling its controlling share in Mack and that he intends to make the most of the commercial, industrial and research development synergies between Mack and RVI. Gras has also been seeking joint ventures with other truck producers in specific components sectors like gearboxes and castings to achieve more rational economies of scale. To this end, RVI recently signed a letter of intent with Rockwell of the U.S. to collaborate in the production of gearboxes.

But despite the emphasis on collaboration deals, RVI obviously continues to heve its sights on large export contracts, although these are becoming a dwindling species. Guillaume elaims that RVI is still in the fight with British Leyland for a major contract for the renewal of the Bangkok hus fleet, involving up to 1,500 vehicles, despite press reports from Thailand suggesting that the British group currently has the upper edge.

In an effort to give RVI a more flexible and streamlined structure able to react quickly to export deals, Guillaume has, from the beginning of this month, rationalised the company's international sales management team hy putting just one man in charge of all RVI's prodncts in each country.

As the former treasurer of the French truck company, Guillsuma is obviously keen to cut unnecessary or overlapping costs wherever possible. But he also appears anxious to enable RVI to take advantage of viable market opportunities wherever and whenever they present themselves. His basic view is that there are no bad countries in the world to do business with, but there are only bad contracts.

Money is the root of . . .

. . . motivation, reports Michael Dixon

WHAT motivates managers? The answer researchers increasingly get when they put the question to companies nowadays suggests executives have undergone a swift and thorough change of character, at least in Britain.

Not long ago managers were typically thought to have complex driving mechanisms.

Trendy employers' replies would probably have cited "Herzberg's positive motivators": opportunities for achievement, recognition for achievement, responsibility, advancement and self-development as well as the intrinsic interest of the work. Traditional employers might rather have cited a sense of moral responsibility in executives little short of noblesse oblige. Recognising that they have been endowed with superior ohilities, they in return take pride in using them to the full.

But what is typically thought to motivate managers today? Money.

The swiftness of the change is shown by a study of executiva pay policies in Britain just made by the Spencer Stuart headhunting consultancy. It asked about the present policies of the chiefs of 32 companies which it had questioned on the same topic only five years ago.

"In 1980 a good steady salary, supplemented by company perks was seen by most chief executives as the most valued form of remuneration," the consultancy reports. The chiefs mostly believed that the optimum rewards for managerial success were a "decent" salary regularly reviewed, an array of in-kind fringe benefits symbolising respected status in the company, and a secure job with a good pension at the end of it.

In particular, the notion of handing senior people extra cash as a direct reward for extra achievement was "viewed with a mixture of suspicion and distaste. . . It was acknowledged that these things were done elsewhere—but not in the UK where top people worked out of a sense of pride and achievement.

"Five years on, this is no longer the case," Spencer Stuart says.

Since Margaret Thatcher's Government cut the top tax rate from 83 per cent to 60 per cent, the previously proliferating perks have been thinned out with a vengeance. Gone are embellishments such as exotic office furnishings, clothing allowances and fees for the children's private schooling. True, company cars, medical insurance and comfortable pensions largely survive, but only because they are tax-efficient.

"If the situation changes, most companies are prepared to jettison them just as they jettisoned school fees and the like. It is understood that it would then be necessary to compensate with more money."

Of the money paid at the moment, most almost always still comes in the form of a "decent" salary—by which the 32 chiefs questioned apparently meant above the average reckoned to be paid by competing concerns. But with few exceptions the British employers have now overcome their distaste for rewarding specific successes with cash handouts.

"Companies have become much more goal orientated, and one of the ways to achieve those goals has been to motivate through the implementation of direct financial incentives."

Incentive

These should not be confused with bonuses, Spencer Stuart insists. Bonuses are gifts bestowed to celebrate joyous events such as good trading results, Christmas, the chairman's birthday, etc.

A direct financial incentive, by contrast, is: "a payment in addition to salary that is awarded for meeting previously agreed objectives. The recipient participates in setting the objectives and is able to predict the money value of the incentive."

With but three exceptions, the incentives offered by the surveyed companies had a top limit. It ranged from 20 per cent of the recipient's salary up to 60 per cent, with an average of 37.

There was general agreement that such payments should be available only to people whose decisions and actions can actually affect results. One, but only one, of the companies recognised that in achieving goals executives tend to owe much to other people's efforts. It handed its successful managers not only their own individual reward but also an equal sum to distribute among their most deserving helpers.

There was also general agreement on the need to refrain from using the payments as a flexible means of topping up salaries or, especially, as a reward for hard work rather than good results.

"Occasionally outside influences will play havoc with a carefully constructed scheme after unstinting effort by the management team. When that happens, the chief executive must hold off making 'special exceptions.' If the relevant outside factors weren't taken into account when the targets were set, the incentive should not be paid."

In the chief's own case, the consultancy says, any incentive payments need to be determined by criteria which the chief is clearly unable to fiddle. "For example, the decision to add windfall profits into the total mix should not be seen to benefit the chairman whose final decision this would be."

Schemes for rewarding chiefs should stand apart from those for subordinate managers, and be approved and monitored by the company's non-executive directors.

Since chief executives' prime concern ought to be the long-term health of the business, it was often thought that the best way of rewarding their especial successes was a share option scheme. But few of the companies similarly linked their share option schemes for lower ranked managers to achievement of targets.

The change over the past five years is not just to employers' pay policies, but also in their executives' attitudes. "Their personal involvement in working towards goals they helped set, imparts a sense of excitement and personal satisfaction that appeals to more entrepreneurial managers," Spencer Stuart adds. "These new managers not only respond to direct financial incentives— they demand them."

But in case anyone should think that the shift from moral responsibility to money grubbing in the executives' motivation has converted them into boardroom barbarians, the consultancy says that good manners, humour and poise remain the rule. "The attractive features of traditional British management styla have not been sacrificed to ensure good performance."

TECHNOLOGY

EDITED BY ALAN CANE

Testing time for Aids screening

Peter Marsh looks at rival methods of checking blood supplies

THE Wellcome Foundation, a British pharmaceuticals company, is likely to be the chief beneficiary of the relatively long time that Britain has taken to decide to introduce tests for screening blood supplies for Aids.

Trials on various commercial tests should be completed in the next two weeks, and a full screening service costing £5m a year for hospital transfusion supplies should start in the autumn. A preliminary announcement is expected this week.

Although commercial kits for the Aids antibodies heve been available from U.S. manufacturers since the beginning of the year, the UK Department of Health and Social Security refused to introduce them on the grounds that they produced too many "false positives" — results which show the Aids antibody but which later turn out to be negative.

Doctors in Britain argue that they want a reliable way of ansuring that blood donors are not told incorrectly that they have Aids.

Tha human body produces Aids antibodies naturally in response to infection by the HTLV-III virus that causes Aids.

According to medical statisticians, people with Aids antibodies in the blood stream have a 5 to 25 per cent chance of having the disease, which has claimed about 160 lives in the UK and 10,000 in the U.S. Aids (Acquired Immune Deficiency Syndrome) weakens the body's resistance to disease and is almost certain to cause death.

The disease has spread mainly by infection among homosexual men and drug abusers. People can also catch Aids through receiving transfusions of blood donated by infected individuals.

To reduce the danger of the disease spreading in this way, virtually all the 12m donations of blood in the U.S. are screened for Aids antibodies, while West Germany, France and Australia are introducing similar services.

The delay in introducing screening in Britain has given Wellcome the chance to leap into the business of producing diagnostic kits for Aids, a market that could be worth £100m-£200m worldwide by the late 1980s and which is now dominated by U.S. companies, chiefly Abbott Laboratories.

In recent months, Wellcome has moved rapidly, joining forces with two London research groups to produce a test that may have significant technical advantages over rival kits.

Dr Richard Tedder, of the Department of Virology at the Middlesex Hospital, worked on the scientific aspects of the test while Professor Robin Weiss, director of the Institute of Cancer Research, isolated the Aids virus on which the product is based.

The U.S. companies, in contrast, are working with Aids viruses produced by Dr Robert Gallo of the National Cancer Institute in Maryland. A rival team under Dr Luc Montagnier at the Pasteur Institute in Paris has "grown" from cell cultures a further strain of the viruses, which are tha basis of other diagnostic tests under development in France.

Wellcome is entering into commercial agreements with the two London institutes to use their techniques in mass production of the kits. These have to be fairly cheap (Abbott sells its tests for £1-£2 each) and easy to use by unskilled workers.

Unilever and Boots-Celltech, two other British-based pharmaceutical groups, were given the chance to market Aids tests based on the work at the Middlesex Hospital but turned down the offer.

According to Wellcome, its test produces virtually no false positives. In the U.S. the American Red Cross uses the Abbott kits and is responsible for collecting about half the blood donated for U.S. transfusions. About 75 per cent of the tests that give a positive result later turn out to be negative.

As a result, elaborate checking arrangements are needed to retest all positive results before donors are told that Aids antibodies are in their blood.

Wellcome says its product performs better because it is based on an intrinsically more selective way of spotting Aids antibodies in blood samples.

Three American companies have approval from the U.S. Food and Drug Administration to sell diagnostic kits for Aids —Abbott, Litton and Electronucleonics. At least two other manufacturers, Travenol and Du Pont, are working on their own techniques.

Like the Wellcome test, the American kits use an immunoassay method to detect Aids antibodies in a sample of blood. The antibodies are proteins which bind with, and so render ineffective, the HTLV-III virus, known as an antigen.

The molecular structure of the antibody is such that it links selectively to the antigen with which it is "paired," in much the same way as a key fits a lock.

In immunoassay techniques, biochemists exploit this antibody-antigen binding procedure to test for particular proteins that indicate disease or some other medical condition.

The market for immunoassay techniques is put at $1.5bn annually, out of a total world business in diagnostic medical kits of $5bn.

In each of the tests for Aids, a specimen of the HTLV-III virus (heat-treated to render it impotent) is stuck to the surface of a small plastic well or sphere.

What happens next depends on the exact nature of the test (see below). But while the U.S. tests involve two incubation procedures during which an antigen-antibody reaction takes place, tha British kit involves only one.

This reduces the risk that the test will give a positive result in the presence of proteins other than Aids antibodies. Sometimes an antigen can bind to proteins other than the antibody to which it is paired—just as a householder may occasionally find he can fit his key into someone else's front door.

Scientists have found, for instance, that a protein callad rheumatoid factor sometimes becomes attached to the HTLV-III virus in tha diagnostic test, giving a "false positive."

Trials at the chief reference laboratory of Britain's Public Health Laboratory Service in Colindale, North London, have finished the first stage of an evaluation of the commercial kits for Aids. The laboratory tested the kits made by Wellcome, Abbott, Litton and Electronucleonics (the last of which is marketed in Britain by Organon, a Dutch company).

The results of the trails heve not yet been made public. But it is believed that the Wellcome and Organon kits came out of the tests particularly well.

In the work at Colindale, chemists tried out the kits on samples from three groups: 220 UK blood donors selected at random, 83 people from the "high risk" groups such as homosexuals and 57 men and women suffering from virus conditions such as glandular fever, which could be confused with Aids.

In further tests, workers at two blood transfusion centres, in Manchester and Edgware in north London, last weak began to compare the kits' performance using a much larger sample of 12,000 donations of blood collected from around Britain in recent months.

After the trials, tha DHSS plans to introduce routine screening using one or more of tha kits of the 2m donations made each year to the National Blood Transfusion Service.

Assuming each test costs about £2, the department will have to pay about £4m for diagnostic kits alone.

Other costs, for instance for more medical staff to do tha testing and check the results, are likely to bring the bill to at least £5m.

Trevor Humphries

Dr Richard Tedder testing for Aids antibodies at Middlesex Hospital, London

HOW THE TESTS COMPARE

ABBOTT TEST: Direct immunoassay

1. Aids virus is stuck to the surface of a sphere which is immersed in a blood sample. If Aids antibody is present, it binds to the virus. Incubation of one hour is needed.
2. An enzyme conjugate (based on an animal immunoglobin which binds naturally to human antibodies) is added. Further incubation of twa hours.
3. If the virus-antibody compound is in the mixture the conjugate sticks to it. The enzyme can then be activated with another chemical to produce a colour change, indicating a positive result.
4. If the conjugate fails to find an antibody with which to bind it is washed away in a rinsing stage—and there is no colour change, indicating a negative result.

ADVANTAGES: test backed by tried and tested technology—Abbott is the world leader in immunoassay techniques.

DISADVANTAGE: initial incubation stage allows proteins other than the Aids antibody to bind to the virus, providing a site for the enzyme compound which then gives a false positive.

WELLCOME TEST: Competitive immunoassay

1. Aids virus is stuck to the wall of a plastic well. It then comes into contact with a blood sample and binds with the Aids antibody if it is present.
2. Enzyme conjugate (an Aids antibody fixed to an enzyme) is added to the mixture and incubated for one hour.
3. If the binding site is blocked by an Aids antibody, the enzyme conjugate fails to bind and so there is no colour change, indicating a positive result.
4. If a binding site is vacant, the enzyme binds to virus. The enzyme is then activated by a chemical to give a colour change, indicating a negative result.

ADVANTAGE: Only one incubation stage and reduced chance of false positives.

U.S. test is inefficient but rarely fails to detect virus

THIS SPRING the American Red Cross began screening tha half a million blood donetions it receives each month using tests supplied by Abbott Diagnostics of Chicago.

As a result, the Washington-based medical organisation has more experience than any other body in Aids screening. Tha Red Cross is responsible for about half the blood donated in the U.S.

Although the Abbott tests give many "false positives"—results that later turn out to be negetive—tha Red Cross says this has not caused too many problems.

All samples giving a positive result to the Abbott tests, indicating that the donor may have Aids antibodies, are checked using the Western blot test.

This involves a complex series of procedures and can be carried out only by skilled workers in a laboratory, not at the blood donation clinc. While the Abbott tests cost $1-$2, a Western blot test costs $100.

According to Dr Gerald Sandler, associete vice-president of the American Red Cross, the Abbott tests throw up about 17 positives per 10,000 donations. Of these, only four are confirmed positive after the Western blot test.

Importantly, however, the Abbott tests have a good record in their sensitivity to Aids antibodies, according to Dr Sandler. In other words, they give virtually no false negatives—results where the tests fail to record the antibodies in the blood stream.

"Although scientists may find it unsatisfying that the Abbott tests lack specificity, we stressed to Abbott that sensitivity was our main concern. In practical terms, the tests have been very successful. Virtually overnight, they made the blood supply safe."

Under the rules of the Red Cross, which collects blood from 57 centres for distribution to hospitals, donors are told they have the antibodies only after the confirmatory tests.

Although the Red Cross began screening blood in March, notifications started only at the beginning of July. This was after trials had shown the Western blot method was a successful way to confirm the presence of the antibodies.

Dr Sandler says he hopes to introduce in the autumn e further series of tests which will cut down the number of false positives.

The American Association of Blood Banks and the Council of Community Blood Centers, the other U.S. groups responsible for collecting blood, use a variety of commercial kits for screening blood supplies for Aids.

Abbott, which dominates the world of medical diagnostic kits, is selling Aids tests in Australia, France, West Germany and Holland. As more countries introduce compulsory screening of blood supplies for Aids, by the late 1980s 100m tests for the disease may be sold a year.

Lasers help locate planes in distress

TWO MINISTRY of Defence air-traffic control centres are updating techniques to display information about aircraft in distress using laser-writing systems supplied by Laser-Scan of Cambridge.

The centres, at Prestwick and West Drayton, receive digital information about aircraft in trouble from networks of automatic radio stations. These bases receive "May Day" calls from pilots of stricken aircraft and then relay data about the vehicles' positions to the control centres.

Under a £630,000 contract, the Cambridge company is producing computerised hardware that translates this information into signals that activate laser writing devices.

The latter project a red-line on a map, indicating the radio bearing that has been received. When two or more bearing lines intersect on the map (which may be the size of a wall) the aircraft position is known to within an acceptable distance and a communications system automatically links an emergency controller to the pilot.

With this information, rescue services can be directly quickly and accurately to major incidents.

Jet age engineering

Air jets are an important feature of a vibratory-bowl feeder system produced by Hiltcroft Precision Instrumentation, a company on Salford University's science park.

Components channelled by the system to, for example, automatic assembly or hardware or machine tools, are kept in place by blasts of air. Other mechanisms sense the orientation of the components, which could be screws or small pieces of metal, and those pointing in the wrong direction are ejected.

هكذا من الاصل

THE ARTS

Television/Godfrey Hodgson

Sorrow and joy of the blues

Sorrow and joy; raw gusto and an elegiac nostalgia for a lost world; a driving will to survive and a wistful self-mockery. You can find all of that, and a lot more, in the blues at its dazzling, authentic best, when black men and women were making music for themselves and for other black men and women, and pouring into strangely austere forms all the frustrated energy of the black American nation. You can find shallow self-pity, leering salacity, repetitious musical clichés and servile facetiousness, too, when black musicians are clowning for the white man's dollar.

BBC2's audacious *Blues Night*, which lasted from half past eight on Saturday evening until half past one on Sunday morning — no doubt in imitation, however half-hearted, of the late hours blues men have always kept — was a fascinating experience.

The "music of life" for B. B. King

The structure of the programme was loose and seemed almost accidental, as though someone at the BBC had noticed that B. B. King was in town, and the whole thing just grew like Topsy until its outsize proportions rivalled those of Brother King himself, a vast, smiling moonfaced man with the instinctive wit and modesty that work better than all the hype and glitz and razzmatazz in the world when it comes to making people like you on the box.

Why didn't he play in a certain style, he was asked at one point by the interviewer. "Well," he said, after rippling off a pastiche of Django Reinhard at twice the speed of sound, "I guess I got stupid fingers!"

So the form of the evening was a multi-layered sandwich, with a medley of films about, or at least containing, blues of many kinds, propped apart by solid interviews with B. B. King by a pleasant fellow with a blond beard called John Walters. He seemed to know a lot about blues music and embarrassingly little about the history and experience of the black man in America, the soil in which the music grew.

Still, Walters held the evening together agreeably enough, and at least it was plain that he really cares for the music. B. B. King helped him, with a stream of gentle anecdote, and the occasional sharp reminder that he hasn't come all the way from where he started without knowing how to handle himself when it counted.

"Do you want to give up the blues and become an all-purpose entertainer?" he was asked. "I should be able to take my blues anywhere," he said, and told a story about the time he played a date in South Dakota, and "felt a little sad that they thought the blues shouldn't be played in their lovely hall."

King talked about growing up near Indianola in the Mississippi Delta. He lost his parents when he was nine, and worked as a sharecropper for $15 a month, which would not seem great wealth today, even in Bangladesh or Mali. He described how he learned his music in church and playing for dimes on street corners. "I always thought the difference was that in church, you were singing about heavenly bodies," he said with a seraphic smile, "but singing the blues, you singing about other bodies."

It is a vanished world, and it has been evoked perhaps too often, and too insensitively. But B. B. King, who became a superstar to the rock generation and played with the Rolling Stones, really came from there. He is just 60, and he learned his music from the likes of Blind Lemon Jefferson and from Bukka White, who was his mother's first cousin, and who shot a man and was sent to the infamous Parchman penitentiary farm.

B. B. King helped. But the music did the rest. It was not all good. Some of it—T-Bone Walker, for example—for all but unquestioning afficionados, is embarrassingly trite and self-conscious. But one of the advantages of listening to five hours of music was that you heard enough of the bad, as well as the good, to develop a theory of why it sometimes can be so terrible, when it can sometimes be so sublime.

The answer, surely, lies in the proposition I began with. Blues music has a chance to reach imposing pinnacles of artistic purity and power when it is played to black people, or to white people who are willing to understand it for what it is. It is painfully bad when it prostitutes itself to a commercial audience that neither knows nor cares what the music is trying to say.

The blues comes in many forms. It can be fast or slow, vocal or instrumental; you can play it on the piano or on the guitar, solo or ensemble. But essentially it is a personal lament that is also a coded statement about an historic wrong. Its power and dignity come in part from the fact that blues players and singers and their natural audience know that they are aiming, not only for personal catharsis, but for solidarity as well.

Pretentious language for a song like Blind Lemon Jefferson's?

Now gather roun' me, people,
let me tell you true facts,
Now gather roun' me, people,
let me tell you true facts,
That tough luck has struck
me, and the rats is sleepin'
in my hat.

I don't think so. One reason is that the music is always bad when it only aims to please. When B. B. King plays for college audiences, like Louis Armstrong before him, he doesn't seem to know how good he and his music really are. "Have you been having a little fun?" he asks, and they squeal, as once they squealed for the Beatles, and for Sinatra, and before him for the Andrews Sisters. It is almost as if those commercial audiences like the blues musician, not for his virtues, but to the extent that he is prepared to abandon them. And in that coinage the true blues musician can always be outbid.

It is not that you have to have been a sharecropper to play the blues, or even to be black. B. B. King himself put his interviewer right about that, and we heard Mose Regur, a white man, singing *Backwater Blues*, about the great Mississippi floods of 1926 in indisputably the true vein:

It rained five days, and the
sky turned dark as night

And we heard Charlie Feathers, who played with Elvis Presley before he ever left Memphis, and who rightly said: "Elvis sang like the coloured people sang," and then added, in case we did not know what he meant, ". . . a lot of people down there call them nigras."

All the great blues players understand that, sorrowful or full of joy, theirs is profoundly serious music. Take Blind John Davis, sensitively interviewed by the inimitable Studs Terkel. Davis is an old man now, born blind. He has never seen the keys over which his long fingers run with such sinuous power. "A lot of people think this is sad music," he told Terkel. "But it can be happy or sad. We lived the blues." Or take Muddy Waters, the originator of the harsh, urban style of Chicago blues. "The type of blues I sing," he said, "you got to pay the cost out there." Or take B. B. King himself. "The blues," he said, "is a music of life."

The Tempest/Santa Fe

Max Loppert

John Eaton, who a few years ago was described on this page as "the most interesting opera composer writing in America today," has given the 1985 Santa Fe Festival its latest world premiere. *The Tempest*, a three-act opera on Andrew Porter's Shakespeare adaptation, represents an immense undertaking for this (or any) company—a spectacular deployment of complex musical forces (large cast and orchestra, sophisticated electronic equipment, small Renaissance instrument group, jazz trio), in ways that indicate an imaginative fresh approach to Shakespearean opera.

In the wonderful Santa Fe auditorium, with the rear of the stage opened to catch the last rays of daylight, and the audience exposed to moon and stars (and to any sharp mountain breezes that may suddenly arise), it came across as a vigorous, confidently accomplished piece of work. Whether, however, it's an opera that should be attempted in other, less specialised operatic circumstances is open to doubt.

Eaton is a many-faceted musical mind (composition professor and Electronic and Computer Center director at Indiana University, formerly jazz pianist and electronics' concert practitioner) and a brave man besides. For in the course of producing four one-act and three full-length operas. He has already tackled *Aeschylus*, *Sophocles*, and *Dostoyevsky*. From Porter he has inspired an extraordinarily astute, shapely, and practicable basis for an operatic *Tempest*. It's a treatment that (like Peter Pears' fashioning for Britten of *The Dream*) makes room for music—by cutting, condensing, regrouping the text—while still managing to retain the essential "flavour" of the verse. The libretto invites what such a task enjoins: a layering of the plot into carefully defined thematic strands that can be exposed, confronted, and finally brought together across three acts.

The score is, indeed, a *tour de force* of sonority differentiation. Eaton has laid out his forces with regard not just to their assigned dramatic functions, but to the way in which those functions change in response to Prospero's island magic. Miranda (soprano) and Ferdinand (tenor), given wide-spanning lines marked by high *tessitura* and solo string accompaniment, converse at different tempos until sanctified union finally brings them together. Ariel (mezzo), who speaks to Prospero in glittery *fioritura*, carries out her supernatural errands with support from the Renaissance band and, when delivering the famous set-pieces, with simultaneous live-electronic modification of her song.

The most noteworthy stroke of planning—at Santa Fe it was the hit of the performance—is Caliban's personification by a low-voiced female jazz singer. Jazz, increasingly complex in its sound-world, forms the domain into which Stephano (buffo baritone) and Trinculo (countertenor) are drawn. And Prospero is placed at the centre of all actions, forces, musical styles. Microtonal intervals are an important part of the vocal writing. Tuning below concert pitch of certain instrument groups is likewise a significant element.

Description of Eaton's methods make them sound both recondite and forbiddingly complicated. But he wrings from them a genuine pictorial immediacy. He seems to be a lineal descendant of Charles Ives (though an infinitely more practical planner than his artistic ancestor) in the simple delight he evidently takes in building up opposing simultaneities, in piling sound against and upon sound. The finale of Act 2, in which both stage and offstage are filled at all corners with Prospero's enemies "all knit up in their distractions," affords the opera's most gripping and impressive pages (and for the conductor, who must hold together far-flung groups at their different rates of rhythm and tempo, moments of hair-raising difficulty).

But, while the "technology" of the score is remarkably quick to stratify all the sources of disharmony, it seems to me less well equipped to bring them together in concluding concord. Or, to put the criticism another way, I find the basic musical material much less interesting than its manner of laying-out. The post-expressionist vocal angularities for the lovers intend ardent lyricism but fail to achieve it. After two hearings of the work (at the dress rehearsal and premiere), I feel that Eaton's vocal writing, for all its microtonal ingenuities, quite lacks the "animal" quality that any durable opera must command, the quality of being not just gesturally apt in context but instinctively right and instantly memorable. The uneven placing of Act 1 (which, at roughly an hour, is far the longest of the three), seems to proceed directly from this; Prospero's lengthy exposition is filled with appreciable detail but deprived of internal energy or accumulating momentum.

A more serious, general doubt concerns the apparent inability of the musical language to penetrate the play's substance, as distinct from its surface. The music deals, I feel, only in surface—there is no deep centre to the work, no genuinely *musical* arguing-out of what Frank Kermode calls "the organised contrasts between Prospero's world and the world of the vile, between the worlds of Art and Nature."

The jazz Caliban provides a sharp pointer toward the central vacuum—the audience may have enjoyed the jolly bounce of the "'ban, 'ban, Ca-Caliban" and "Freedom, high day" cries that close Act 1, but the troubling, post-colonial implications of the character disappear in the process.

Timothy Noble as Prospero with Sally Wolf as Miranda

Among post-war Shakespeare operas, and as an example of multi-layer opera of more recent stamp (Henze's *We Come To The River* being another example), Eaton's "technological *Tempest*" holds an honourable place. But in relation to the higher claims currently being made for it, it doesn't quite measure up.

How much of this one should properly blame on the Santa Fe production is hard to gauge. It is given in the horridly unpoetic single set (a basic coral-like structure composed of tin-foil-covered "fingers") and vulgarly dressy costumes of Allen Charles Klein — and though the producer, Bliss Hebert, has clearly not been unaware of the score's workings, he appears to have settled most often for the easy, obvious method of compassing them on stage. In fairness, he has committed only one act of really serious insensitivity (which for new opera producers is quite a decent score): the treatment of Ariel as a sort of faceless illuminated Christmas tree, always accompanied by a posse of copycat Ariels who flash up at assorted points of the coral. Any charm or pathos in the character, and in the singing of the excellent Susan Quittmeyer, is largely counteracted (and amplification makes for inaudible words).

But Eaton has been very well served by a team of energetic, committed players, dancers, and singers, all of them American apart from one notable exception. This is the ENO's Ann Howard, a Santa Fe favourite, who makes a vivid impact, within given limitations, as an idiomatic, unembarrassing Caliban. (I wonder how Ella Fitzgerald might fare.) The fluent young lovers are Sally Wolf and Colenton Freeman (he consistently too loud). Among the nobles Kevin Langan's mellow bass Gonzalo stands out, Gimi Beni's Stephano is witty and unforced.

And the Prospero of Timothy Noble, who next year comes to Glyndebourne as Boccanegra, crowns the performance magnificently—imposing of stature, thoughtful of manner, possessed of a beautifully firm high baritone (if he and others had not coped so confidently, one might well have deduced from the score that Eaton's notions of available vocal range are wildly unrealistic). The conductor, no less Prospero-like in his mastery of complicated arts, is Richard Bradshaw.

The Devil Rides Out—A Bit

Martin Hoyle

Baxter, Birch and Henty sound like an old music-hall act. And despite the would-be zaniness of their shot at inconsequential and surrealistically digressing narrative, their basic joke is the old vaudeville turn of a serious member of the team attempting to tell a story while being cheerfully sabotaged by the clowns.

The story is a Denis Wheatley spoof, the method reminiscent of even more ambitious enterprises by the National Theatre of Brent, say; the result rambling and uncertain of aim, with arid patches from a likeable trio whom one would like to see in better material.

The straight man is a woman. Susie Baxter works tirelessly as narrator and principal player in the Wheatley send-up. She offers both upper-class confidante and heavily-accented victim of satanism besides, in the evening's disjointed first half, trying to instil some order into her colleagues and compere a lecture on symbols of purity.

The company has been based in Battersea for two years and much of its work has concerned improvisation with a wide range of local groups, from youth clubs to old people's homes. This explains the unsophisticated, not to say juvenile, style of much of the performance which had me wondering about the age and theatre-going experience of the intended audience even before Thomas Henty rushed on to do a mock-panto participation piece.

Mr Henty (the son of Tommy Cooper) has a cheerily bumptious comic personality that ingratiates; but the most individual personality is that of Michael Birch whose bony face, deep-set eyes and look of an unexorcisable inner haunting make him ideal casting for the young Rudolf Hess. Or even the old Rudolf Hess. All three labour with a will in the sweltering confines of the Lyric Hammersmith's little studio theatre; but too much of the material sounds as if it has been cobbled together by willing helpers in a school drama workshop.

New director for Chester Festival

David Laing has been appointed director of the Chester Summer Music Festival in succession to Martin Merry.

Three-part Prom/Albert Hall

Dominic Gill

Monday's Prom contrasted three major orchestral works by three living composers. Messiaen's *Et exspecto resurrectionem mortuorum* is designed for performance in vast spaces — "churches, cathedrals, even in the open air or on high mountains." It is also one of his most entirely seductive and thrilling instrumental creations (the more so because no part could ever conceivably be found in it for the *ondes Martenot*). It makes a magnificent opening to any Prom: the BBC Symphony Orchestra under Peter Eötvös gave it with fervour, and with exact sense of proportion.

Xenakis's *Ais* for baritone and percussion soloists with orchestra is a work somewhat in the line of Stockhausen's *Trans* or Laszlo Vidovsky's *Death of Schroeder*: the initial impact is bizarre enough to provoke nervous laughter, but the very force and momentum of the music quickly gains the upper hand. Nervous giggles of disbelief at the raucous falsetto of the baritone Spyros Sakkas in the opening pages gave way to attentive absorption. Xenakis's gift above all is to convince us, almost against our will, with his fiery, elemental music that his world *exists*.

The world of Steve Reich's *The Desert Music* exists right enough; but it is by and large confined these days to the window-displays of souvenir shops on the promenades of seaside towns. I used to find much of Reich's "system" or "process" music interesting, and often stirring: *Drumming*, for example, or *Music for a large Ensemble* were notable for their absolutely uncompromising purity of intention—an unfolding, inevitable as ocean waves, of a preordained process whose every ripple and permutation was perfectly crystal clear. The very uncompromising directness of the proposition gave the music its strength.

It is hard to know, certainly, exactly where else Reich could have gone from there. *The Desert Music*, however, shows him to have turned from brilliant inventor to self-conscious bad composer: a symphony of systems-kitsch for orchestra and choir as crisp and concise as steamed marshmallow—system-Liberace, without the jewels or the fun. In the context of Messiaen and Xenakis, the equation couldn't have been clearer: it's not the music that's minimal in *The Desert Music*, but the diamond-hard stuff of inspiration.

Swan Lake/Coliseum

Freda Pitt

Time was when to see Rudolf Nureyev dance at all guaranteed a truly festive experience; these days, however, the term "Nureyev Festival" rings distressingly hollow, so that the current run at the Coliseum would be more accurately described as "The Matsuyama Ballet of Tokyo, guest artist Rudolf Nureyev." On Monday evening, Nureyev looked so tense and exhausted, and his dancing so effortful and jerky throughout, that the only charitable conclusion to draw was that he was suffering from an indisposition or injury. He has certainly danced with much greater vigour and persuasiveness at the Paris Opéra this year, so one can only hope he will regain a measure of his form as the season progresses.

The Japanese company's production of *Swan Lake*, staged by Tetsutaro Shimizu, turned out to be a characterless, mostly orthodox one, apart from an odd ending in which, after vanquishing the evil magician Von Rothbart, Prince Siegfried coaxes the expiring Odette back to life. This happy ending mirrors Soviet versions, whereas in the main the production adheres more closely to Western ones, for example in the absence of the Jester.

There were several discrepancies between the story as given in the programme and the ballet as enacted on the stage, including the ending and also the references to the Prince's friend, Benno, who does not appear. Pavel Gerdt, who created the role of Siegfried in St Petersburg in 1895, was some years older than Nureyev, so there is no *a priori* reason why Nureyev should abandon the part. On Monday, though, one's impression was that the story should be reworded to the effect that the Princess Mother is concerned that her middle-aged stepson seems determined to remain a bachelor. Although Nureyev evidently knows the Tokyo version and adapts himself to it both in a couple of ensemble dances and in the rather insensitively choreographed Act 4 pas de deux, he inevitably looks something of a changeling in these Japanese surroundings.

While the company is making its London début, Yoko Moroshita is already known to audiences here. Technically competent, she was at her best in the Act 3 fireworks. The female *corps* is well-drilled, but the movements did not seem to come from the centre and flow through the body, so that the spirit of the work was almost completely absent; the sense of tragedy in Act 4 particularly so, partly because, as in Act 2, Ivanov's choreography has too often been replaced.

With elaborate scenery and costumes (designer unnamed) and decent orchestral playing under David Coleman, this production probably gives anyone who has not seen *Swan Lake* before a fair outline of the ballet. There is no point, however, in denying that the short-arms and inexpressive features of the Japanese girls militate against the success of the performances with a largely Western audience, even if Monday's large one sounded quite enthusiastic. Nureyev has appeared as Siegfried with innumerable companies round the world, but rarely before with one so hard to identify with—both for him and for us.

Pinter play at the King's Head

Harold Pinter's one-act play *The Lover* opens at the King's Head Theatre Club on August 6.

The play has not appeared in London since its original production in September 1963 at the Arts Theatre.

Arts Guide

Music/Monday. **Opera** and **Ballet**/Tuesday. **Theatre**/Wednesday. **Exhibitions**/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 26–August 1

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

Man of La Mancha (The Japanese version). Directed by Takao Nakamura, starring Koshiro Matsumoto. Performances also on Sundays. Imperial Theatre, near Imperial Hotel, Hibiya. (213 7221).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee William's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Hilliard Ensemble/St Luke's

David Murray

Of various venues beyond the Albert Hall that the BBC has explored for Prom purposes, none has proved a luckier find than St Luke's in Sydney Street, where medieval and Renaissance music for smallish forces sounds wonderful. On Monday it was the turn of the Hilliard Ensemble to demonstrate that, singing two great *a capella* works by Pérotin and Guillaume de Machaut.

Failing time-travel with a tape recorder, we are never going to know just how the choristers of the period sang. In tune, we assume; but with what sort of vocal manners? Did they aim at a homogeneous blend, or were individual voices expected to stand out? Did they cultivate a robust, virile sound, or was something more devoutly "white" the norm? Were they emphatic with rhythms, as in dance music, or did ecclesiastical style prescribe a lower profile? Contemporary comment gives too little help, for about such matters the terms of any judgment are relative to familiar contemporary practice.

Modern "early music" performers have to exercise their own intuitions on fragmentary clues; from time to time, a certain style captures one's imagination as being peculiarly convincing. The Hilliard style captures everybody's, these days, not because of some notional archaeological insight, but because it sounds balanced and exquisite *now*—and because it lets us hear everything we can see in the scores. (At another time, we might see other things). In scores so rich as Pérotin's four-part Gradual *Viderunt Omnes* and Machaut's *Messe de Nostre Dame*, the Hilliard treatment has the force of a revelation.

If medieval sacred music ever dances, then surely *Viderunt Omnes* must. Over the long-held single notes of a slowed-down chant, the higher voices decorate, canon-ise, play catch-as-catch can in vernal 6/8 time—"organum" techniques with brimming invention. The Hilliard singers made it translucent, buoyant; and they did as much, and more, for the grander canvas of Machaut's Mass. The knotty closing cadences, pungently pre-modern, were a particular joy. At the moment I cannot imagine happier realisations of such music than the Hilliard's.

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A fighter for Europe

THE MOST spectacular proposal for European industrial co-operation, the five-nation European Fighter Aircraft, is in imminent danger of collapse. Its demise would be a disappointment but, to judge from the character of the lengthy wrangling that has already taken place, not a disaster.

The fact that over two years the five countries have failed to agree on what type of aircraft they want to build has been a poor omen for fruitful collaborations. It promises unsatisfactory military compromises, additional complexity and additional cost. Add to this the danger that the management of the project, and in particular the award of contracts and subcontracts, will be determined by the need to satisfy national interest groups, rather than by commercial considerations and the case for an ambitious joint venture may all but evaporate.

It is still just possible that these pitfalls can be avoided and agreement on a five-country EFA reached. Certainly a joint venture between France, Germany, the UK, Italy and Spain would give an enormous fillip to the cause of industrial collaboration in Europe. The goal of long production runs and a united approach to export markets remains a compelling one.

Rhetoric

In particular, the inclusion of Dassault of France, the leading European builder of fighter aircraft and a company with an outstanding export record, would be a tangible sign of France's willingness to translate its rhetoric about industrial collaboration into practice. But it appears that the differences between France and the other partners over the military role of the new aircraft, over design leadership and other matters, are too great to allow these undoubted benefits to emerge.

Simply put, the British-led faction wants an aircraft that will be able to strike at enemy units and positions on the ground and, in a variant, will protect the ground attack aircraft against enemy fighters. The French say that their Mirage 2000 and 4000 can play the latter role, so they only want a lighter and less powerfully engined ground strike aircraft.

Much of this may be the usual tug of war for project leadership and share in the work to come. But the fact is that the differences have not been bridged. It would be an error to try to do so at the cost of producing an aircraft that satisfies neither the French nor the other air forces.

Rather than running that risk it is far better to go ahead with separate ventures — the French and that of the rest. But the criteria by which a five-nation project needs to be judged apply equally to one involving only the British, Germans, Italians and Spanish. A four-nation (or three-nation) EFA would still have to be as cost effective as possible. To achieve that, management of the project will have to be extremely tight and commercially aware. There must be maximum use of competition in the award of subcontracts.

It is in the nature of collaborative ventures that they bring economies of scale, but also extra cost because of decentralised production. It has been estimated that a joint project may cost 10 per cent less than a British national project going it alone — but that buying an American aircraft would be almost 30 per cent cheaper.

On purely commercial grounds, therefore, there is a case for abandoning EFA altogether and either buying a U.S. aircraft or building one under licence. It is an option that is open to every one of the four air forces either jointly or singly.

But the premium for a European aircraft is worth paying, provided it is kept within limits by sound management. The U.S. industry is not so far ahead of Europe in this field for the effort to catch up to be hopeless.

A four-nation effort may be less desirable than one of five participants, including France. If that is not feasible, it still remains important to pursue a drive towards standardisation leading to a single European market for defence equipment, comparable to that in the U.S. Even if the plan for a common fighter collapses, that overall objective should be pursued with more promising if less spectacular ventures.

Moscow's new ploys abroad

SOVIET foreign policy, under new management, is shifting from the reactive to the active. We have grown so used over the past several years to the Eastern superpower pursuing a passive diplomacy, as distinct from military policy, that it will take some adjusting to the new activism emanating from Moscow. But the change presents new opportunities, as well as new problems.

We should learn more about the new direction of Soviet diplomacy from Mr Eduard Shevardnadze, the new Soviet Foreign Minister, who, after yesterday's formal opening of the tenth anniversary ceremony of the Helsinki accords, is due today to hold his first bilateral meetings with Mr George Shultz, Sir Geoffrey Howe, and other western ministers.

But there is already ample evidence of Moscow taking the initiative on the international chessboard. Following Mr Mikhail Gorbachev's recent proposal for a mutual cut of 25 per cent or more in the number of warheads on Soviet and U.S. offensive nuclear missiles, this week Moscow proposed a moratorium on nuclear weapon testing, cannily timed to coincide with the anniversaries of both the Helsinki accords and the Hiroshima bombing. That pushed Washington into speedily coupling its rebuff of a test moratorium with an unprecedented invitation for Soviet observers to monitor an underground test in Nevada.

Tactic

It is true that the Soviet Union under Mr Gorbachev has, if anything, hardened its resistance to the Reagan administration's Star Wars programme. Indeed, it seems to be the Soviet strategy to demonstrate some flexibility on other disarmament issues, precisely to reinforce the political impact of its opposition to Star Wars.

In fact, initiatives towards the U.S. are not a totally novel phase in recent Soviet foreign policy; there was a short spate of them when Mr Andropov first came to power. What is novel is Moscow's initiatives elsewhere. Under Mr Gorbachev, the Soviet Union is actively wooing Western Europe as a whole, reviving an old tactic of proposing trade talks between Comecon and the EEC but putting on it the new gloss of recognising the EEC's "political identity." It has signed a five-year trade accord with that old ideological sparring partner, China. It has even put out feelers about restoring diplomatic ties with Israel; though this came to nought, because of press leaks from Jerusalem, it showed the Soviet Union keen to join, or displace, the U.S. in the umpire's seat in Middle East politics.

Nearer home, Moscow has put the East Europeans on notice that the recent years of slack Soviet leadership of the eastern alliance are over. Henceforth, Moscow will hold regular allied summits, consult or inform them more, but at the same time it will expect them to toe the diplomatic line more than countries like Hungary and East Germany have recently done, and it will run a tighter ship in both Comecon and the Warsaw Pact, which, if rumours are to be believed, is to have the formidable Marshal Ogarkov as its commander-in-chief.

Since the overall aim of this strategy seems to be to separate America from its allies and friends, and also to deny the West chances of exploiting any differences inside the Soviet bloc, a certain mistrust in the West is justified. This mistrust will, for understandable reasons, be deepest in Washington. But from a West European perspective, there is qualified cause for optimism.

It cannot, for one thing, be a bad thing for the Reagan Administration to be put to its mettle in disarmament talks by Mr Gorbachev. For too long nuclear arms control has suffered from immobilism, not initiative, from Moscow. The EEC may, rightly, have qualms about reaching a trade agreement with such a different economic body as Comecon, but can hardly shun the political recognition it has long sought from Moscow. The Sino-Soviet split may have suited the West in the past, but Western policy can hardly base itself on a state of permanent hostility between Peking and Moscow. Finally, there is a case for arguing that peace will not come to the Middle East until Moscow and its Arab clients have been brought into the process.

If the West has a clear-eyed appreciation of Moscow's motives, it should be able to summon up the requisite vigilance in responding to the new Soviet initiatives. Western Europe should not allow any wedge to be driven between itself and the U.S.

City of London salaries

The dark cloud on the silver lining

By John Moore, City Correspondent


Brano Radovic

HER parents must think the world has gone mad," mused the headhunter. He was considering the case of the 21-year-old woman bond dealer who had moved from the UK arm of a U.S. investment bank to the London operation of a rival U.S. financial group. "She was a junior member of a team, earning £21,000 a year," he explained. "Now she is earning £50,000."

The size of the pay packets in Britain's financial community is already the stuff of legend. Following the rapid expansion of capital markets worldwide in the last few years and the aggressive entry into the securities markets recently of a whole range of new players such as banks and other commercial concerns, the value of individuals with the appropriate skills has dramatically increased.

As headhunters put it, the bond dealer and many others like her are benefiting from what they call a "classic demand situation" where demand outstrips supply.

Barely a week passes without another big staff move by stockbrokers, stockjobbers and dealers from one securities firm to another. Those involved in the moves are usually coy about the financial rewards which they are picking up, but in the secret world of the City, figures are now emerging about some of the deals being struck.

One brokerage house recently was offering $200,000 a year to a 25-32 year old who could speak French and German and had three years in the securities business selling fixed interest bonds. Six-figure salaries for talented people are now becoming commonplace, while a successful equity salesman who is not even a partner in a British securities firm can command as much as £170,000 in some cases.

But while individuals in the City of London are enjoying the biggest financial bonanza of their careers, there are signs it may be storing up big trouble for financial conglomerates in the future. Securities houses on both sides of the Atlantic are already reaching for their lawyers to deal with staff matters as the strains and tensions begin to tell.

Barclays Bank has been considering what legal steps it could take following the recent defection of eight people from Wedd Durlacher Mordaunt, the jobber with which it has formed a link. The terms of the Barclays deal valued Wedd at nearly £100m—but so far it has had to stand by helpless as its assets have begun to walk out of the door. (It is little comfort that the purchase price will be adjusted accordingly.)

All this excitement results from the biggest upheaval ever in London's financial community which has taken place in the last two years. The changes have been triggered by the deal between the Stock Exchange and the UK Government, in which the Exchange agreed to abandon its fixed scales of commission on securities transactions by the end of next year.

The threat of a more competitive environment inspired a series of mergers and regroupings between the brokers and market makers on the Stock Exchange and a range of outside interests, such as banks, financial conglomerates, and overseas financial interests.

This revolution in the way that London's financial community is structured has been accompanied by change and turmoil among the personnel of the securities houses. As links have been formed with outside interests by broking and jobbing firms, growing unrest has developed among staffs. There have been plenty of vacancies on offer in London for the discontented as some miss out on the immediate "goodies" and others see their partnership prospects disappear for ever.

The big U.S. financial groups seeking to consolidate and develop their positions in London have been prepared to offer much larger salaries than their British counterparts. The new market in British Government securities which is being formed will have 29 participants, including 10 powerful U.S. groups, in a market previously dominated by two British jobbing firms—Wedd Durlacher Mordaunt and Akroyd & Smithers—with a combined market share of 80 per cent. The hunt is on for market making talent in London with salaries of between £50,000-£100,000 par for the course and top people attracting more.

So over the past few months there has been a steady traffic of brokers and market makers between the securities firms in London (see panel).

Headhunters in London attribute the merry go-round to a number of factors. Mr Somerset Gibbs, himself a former senior partner of stockbroker Capel-Cure Myers, and now running Directorship Appointments, a head hunting firm, argues that as the mega-deals have been put together and the big financial conglomerates have been formed, "there has been a rather crude allocation of the goodies."

Partners of stockbroking and stockjobbing firms have made millions of pounds from selling out their businesses to outside interests but the staff at lower levels feel that they have not gained sufficiently in personal financial terms from the deals. In all between £600m and £800m is estimated to have been paid for securities businesses in London in the last two years.

People, Mr Gibbs argues, are on the move because they are unhappy about the pace of decision-making in the large financial conglomerates which are being formed. "People do not like voids," he said. "There was not a realistic assessment of the amount of work involved in some of these deals."

Mr Allan Stewart of Spencer Stuart, another executive search company, said that after any merger there is "a period when people are prepared to accept change. The later the changes are made the harder it becomes for people to accept them and a lot of firms did not act quickly enough."

Moreover, serious cultural tensions have been created as the rigid hierarchies of the clearing bankers have come into contact with a dealing environment through their link-ups with brokers and jobbers.

In the past, senior partners of the top ten British securities firms were earning up to £1m a year each in a good year (of which there have been quite a few recently). Junior partners could be earning £80,000 to £100,000 each. Staff of broking firms, while not earning a very high basic salary, often under £20,000, would be receiving a bonus each year depending on how well the firm had done. The bonus, calculated as a percentage of salary, might range between an extra 40 to 60 per cent.

More recently, some bonus payments have jumped sharply. For instance, Scrimgeour Kemp-Gee, the stockbroker forming a link with Citicorp, the giant U.S. bank, paid its staff a 165 per cent bonus this year. Last year it paid its staff a bonus of 115 per cent. But basic salaries at Scrimgeour are said to be a little lower than most.

Scrimgeour's senior partner Mr Richard Fulford said that the move was designed to give the staff some of the benefit the partners had received through their mergers.

Through selling out their firms, the partners are gaining enormous sums. For example, Kleinwort Benson, the merchant bank is paying £44m for broker Grieveson Grant, whose partnership is 65-strong. Broker Laing and Cruickshank's 53 partners are receiving £25m for their tie-up with Mercantile House, the financial conglomerate. These are not thought to be the most lucrative deals.

In order to keep staff together those groups taking over securities firms have devised a system of remuneration called "golden handcuffs." They are paying partners on a deferred payment basis, which is sometimes performance related, so that they have an incentive to stay with the business. In some cases companies taking over securities firms are leaving a minority stake in the profit for executives to provide a continuing incentive.

For the so-called "marzipan set"—the bright middle rankers described as being "just below the icing and just above the cake"—a range of inventive remuneration schemes are being designed to keep them on board. Some partnerships have voluntarily agreed to reallocate the spoils from the disposal of their firms.

In many cases they are being offered "packages" consisting of a guaranteed cash sum payable over a fixed period of time, say three years, providing they stay. A three-year package worth £450,000 in combined basic salary looks cosmetically more attractive than if expressed as an annual salary and offers a measure of financial security. They may also be offered share option arrangements, generous pension schemes, a car and loan arrangements for house purchase.

Those seeking to lure teams of brokers and dealers away, meanwhile, have designed the "Golden Hello" arrangement. A cash sum is usually put up front for those walking through the door, and the amount is often of a size that a first class English footballer might envy. The head of a research team might receive a capital sum of between £50,000 to £100,000 just to join. From then on the basic salary of the new staff will often be guaranteed over a period. In addition a bonus element might be guaranteed over the same period and all the fringe benefits paid that are enjoyed elsewhere.

Some City consultants see the seeds of future discord in these deals. Says Mr Carl West-Meads of the Wyatt company, the employee benefit and compensation consultants, "the people who are moving are putting themselves under enormous pressure. They are entering a hostile environment where existing staff are speculating about the size of the newcomers' remuneration and are just waiting for a chance to put the boot in."

Adds Mr Alan Stewart of Spencer Stuart, "emerging financial conglomerates will soon be in considerable trouble." He says that financial pressures are building up as staff costs rise and bonuses and profit share payments are incorporated into salaries.

Rising occupancy and operating costs following moves into larger and modern buildings and large investments in information technology and trading rooms is also adding to the pressure throughout the securities industry.

Increasing competition once minimum commission scales are dismantled will put pressure on revenues, particularly if trading conditions in securities markets turn down.

For the moment all the indications are that the movement of personnel will not slow down between firms. Talented brokers, market makers and analysts will find securities houses ready to recruit them and offer large salaries. But few in the City believe that the bonanza can last. That is why so many are concentrating on getting the best possible short-term financial package — after all, their new careers may turn out to be short-lived.

SOME RECENT MOVES ON THE CHESS-BOARD

HERE ARE some of the most notable moves of recent months.

● Eight dealers from Wedd Durlacher Mordaunt, the market maker, have defected to Kleinwort Benson, the merchant bank. The rumoured remuneration for the eight (which included two of Wedd's nine-man management team) is £1m in "Golden Hellos" and £2m for their first year's salaries.

● Seven other Wedd Durlacher people, including one partner, departed to join Savory, Milln, the broker.

● Mr John Hutchinson, a senior gilt-edged dealer at Wedd Durlacher, left after policy differences. He later joined Merrill Lynch to set up their primary dealership in London at a salary running into telephone numbers.

● Barclays Bank recently poached Sir Martin Jacomb, vice-chairman of Kleinwort Benson, to head up its investment banking side, which will include Wedd Durlacher.

● Capel-Cure Myers, the stockbroking firm, earlier this year lost the bulk of its retailing team to Wood Mackenzie, the broker which is linking up with merchant bank Hill Samuel.

● Capel Cure-Myers recruited two men from British Home Stores to replace the retailing team.

● Laing & Cruickshank, the stockbroker which is linking up with Mercantile House, lost two of its oil team to the London securities arm of Prudential-Bache at rumoured salaries of £40,000 each plus car.

● Fielding Newson Smith, the stockbroker linking with National Westminster Bank, lost two of its partners and two other staff who analyse the drinks sector, to de Zoete and Bevan for a rumoured combined financial package of £500,000.

Men and Matters

Treasury circles

In the Whitehall snakes and ladders it seems one way to get the dice rolling in your favour is land on a square labelled Number 10.

Of the five senior Treasury officials named yesterday for promotion, or progressive sideways moves, all but one has served time in the Prime Minister's office; and the fifth, Alan Bailey, the new permanent secretary at Transport, spent two years as deputy head of the Think Tank at the Cabinet Office next door.

Bailey, aged 54, who moves over at the end of the year from his job as second permanent secretary in charge of public spending at the Treasury, is leading what might be described as a Downing Street conga.

On his heels, Robin Butler, Mrs Thatcher' sportingn 47-year-old principal private secretary, moves 200 yards west along Whitehall into Bailey's old desk. The move confirms the universal view that Butler is a rising star. He has won golden opinions from Mrs Thatcher and is credited with saving her from the Brighton bombing by keeping her from bed to read "one more brief."

He would now be well positioned to become the next head of the Treasury, except that the present incumbent, Sir Peter Middleton, is only five years his senior.

Butler's transfer will make room in Downing Street for Nigel Wicks, until recently the Treasury's man in Washington. This will be the second time that Wicks has followed Butler into a Treasury posting in the Prime Minister's office.

It happened before under the Labour Government in 1976 when Wicks succeeded Butler as an assistant private secretary at No. 10.

The present holder of this post, Andrew Turnbull is being promoted back to the Treasury as under secretary in charge of public spending, so the Turnbull-Butler team will stay intact.

Turnbull took over his present job in Downing Street from Michael Scolar, and now once again he is following in Scolar's footsteps. For it is Scolar who is moving from the public spending hot seat to become head of the Central Unit at the Treasury, a combined think tank, intelligence agency and organisation unit.

Bailey's move—which got this shuffle under way—is regarded in Whitehall as well-deserved promotion and was made possible by the early retirement of Sir Peter Lazarus. Bailey is clearly being put into the Transport Department as a new broom. But in public spending terms, he is crossing over to the enemy side.

When Transport and Treasury next exchange fire on programme limits, the guns should be well-manned on both sides. For Butler—I almost forgot to mention—is an old hand at public expenditure control. He did Scolar's job for a while before he went to No. 10. Small world, isn't it?

Rules of law

The Law Society's Gazette, the solicitors' house magazine, reports that the 11,000 American lawyers who invaded London recently for the American Bar Association conference were fascinated by the history and social gradations of the English legal system.

Among questions the transatlantic visitors asked were: How often does a Queen's Counsel meet the Queen? Why is a judge a Lord in court but a Sir outside? How do you get to be a Sir?

The Gazette suggests that "an expenses-paid lecture tour of local American Bar Associations awaits the person who can give a lucid explanation of the etiquette of the English legal system."


"And now another programme that Mr Brittan hasn't seen..."

No U-turns

The riddle of the temporary disappearance of Sir Terence Beckett was recently revealed in this column.

On his way to the north country by road, the hapless director general of the Confederation of British Industry had got no further than north London when he was lured from his route by road signs and found himself cruising the Brent Cross shopping centre.

Good has come from his suffering, I am glad to report.

A joint delegation from the Department of the Environment and the CBI inspected the road signs that led Sir Terence astray. While they were there, three cars nearly made the same mistake.

The DoE has now decided that the sign to the M1 should be altered.

He really was

A World War Two ship inspector named Kilroy became the world's pace-setting graffiti artist by scrawling "Kilroy was here" on ship's hulls in the General Dynamics' Quincy, Massachusetts, shipyard.

Kilroy launched more than just ships. He set in motion a grafiti craze which has since swept the world and has found perhaps its most expert exponents in the US on the New York subways.

Now General Dynamics, under fire from the Pentagon and Congress for alleged overcharging and other misdemeanours, has run out of orders for new ships and is closing the 100 year-old Quincy yard.

More than 4,000 workers will lose their jobs. But Kilroy's legacy seems sure to live on.

Root out

Japanese Government officials worked feverishly to round up a few Japanese-speaking American journalists to appear at Prime Minister Nakasone's televised Press conference yesterday.

But it turned out that reporters' questions were being vetted and nothing too controversial was going to be allowed.

Los Angeles Times reporter Sam Johnson refused to attend after the issue he wanted to raise was ruled out.

Jameson wanted to ask why the quotas on konyaku, a root vegetable grown in various parts of Asia, were not being lifted in the import promotion package.

Japan's konyaku, it appears, is grown almost exclusively in Nakasone's home district of Gumma.

Testing times

Sign in a Croydon maternity ward: "The first five minutes of life are the most dangerous."

To which someone has added a rider: "The last five minutes are pretty dicey too."

Observer

BASE LENDING RATES

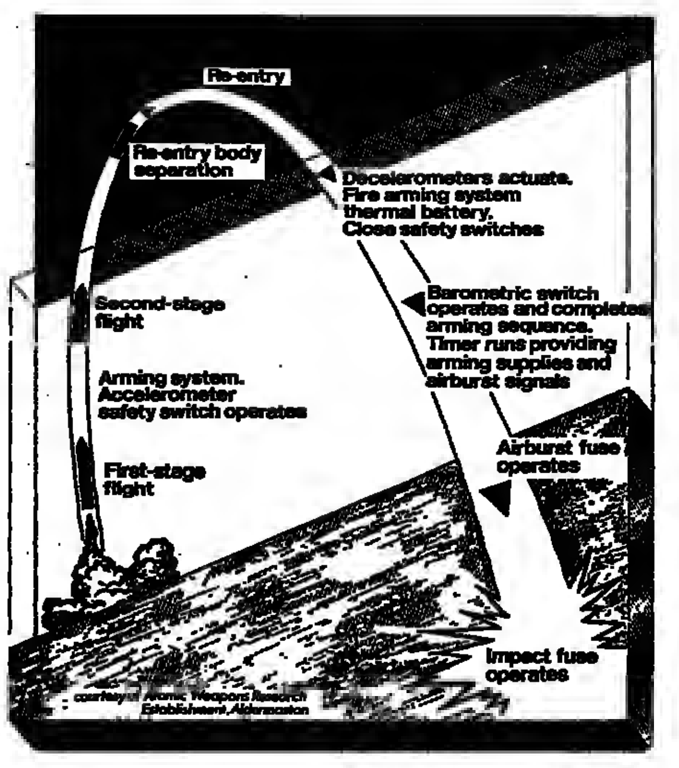
A.B.N. Bank	11½%	Heritable & Gen. Trust	11½%
Allied Dunbar & Co.	11½%	■ Hill Samuel	§11½%
Allied Irish Bank	11½%	C. Hoare & Co.	11½%
American Express Bk.	11½%	Hongkong & Shanghai	11½%
Henry Ansbacher	11½%	Johnson Matthey Bkrs.	12½%
Amro Bank	11½%	Knowsley & Co. Ltd.	12 %
Associates Cap. Corp.	13 %	Lloyds Bank	11½%
Banco de Bilbao	11½%	Edward Manson & Co.	13 %
Bank Hapoalim	11½%	Meghraj & Sons Ltd.	11½%
BCCI	12 %	Midland Bank	11½%
Bank of Ireland	12 %	■ Morgan Grenfell	11½%
Bank of Cyprus	11½%	Mount Credit Corp. Ltd.	11½%
Bank of India	12 %	National Bk. of Kuwait	11½%
Bank of Scotland	11½%	National Girobank	11½%
Banque Belge Ltd.	11½%	National Westminster	11½%
Barclays Bank	11½%	Northern Bank Ltd.	11½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	11½%
Brit. Bank of Mid. East	11½%	People's Trust	12½%
■ Brown Shipley	11½%	PK Finans Intl. (UK)	13 %
CL Bank Nederland	11½%	Provincial Trust Ltd.	13 %
Canada Permanent	11½%	R. Raphael & Sons	11½%
Cayzer Ltd.	11½%	Roxburghe Guarantee	12 %
Cedar Holdings	13 %	Royal Bank of Scotland	11½%
■ Charterhouse Japhet	11½%	Royal Trust Co. Canada	11½%
Choulartons**		■ J. Henry Schroder Wagg	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	12 %	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co. Ltd.	12½%	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	12½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	12 %	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	13 %		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		
■ Hambros Bank	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8¾% gross.
‖ 21-days deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

AMERICA'S SDI PROGRAMME

The A to Z of Star Wars

By David Fishlock, Science Editor



SDI aims to knock out a nuclear missile in the first stage of flight.

THE Strategic Defence Initiative, Star Wars, is a U.S. technological objective as ambitious as the Apollo Moon landings of the 1960s. It promises to amplify American strengths in many technologies, especially information technology.

Here is a simplified guide to the intricacies of the $26bn programme:

A is for artificial intelligence, sometimes called the fifth-generation computer, the most ambitious goal of the electronic age. The idea is to teach the computer to do that which, at present, mere humans can do better—in this case, to manage a battle. This battle would be fought with beams at the speed of light.

Also for Lt. Gen. James Abrahamson, in control of the SDI research programme and budget.

B is for battle management, unquestionably the most difficult of several formidable technical challenges a beam weapon defence must overcome if the SDI is to proceed.

Once the button is pressed, the entire process of identifying target missiles at long range, zapping them with a beam within a fraction of a second of sighting, then verifying a kill or refocusing for a shot, must be done entirely without human intervention—by artificial intelligence.

C is for Nicholas Christofilos, the late American engineer who is credited with the idea of beam weapons, dating from the late-1940s. Christofilos was an ingenious inventor of accelerators (atom-smashers) which generate speed-of-light beams.

D is for death ray, dream of inventors since the first flying machines, and the purpose of what the Air Ministry scientists of the 1930s dubbed their "black boxes." The military argot for death ray is directed-energy weapon.

E is for the electromagnetic spectrum, the "rainbow" of rays the SDI is exploring as directed-energy weapons. The inventor can choose from a continuous spectrum—from the relatively long radio wavebands through microwave, infrared and the various colours (wavelengths) of visible light, narrowing to the ultra-violet and X-ray bands.

F is for focusing, something the sceptics said would be impossible for beam weapons until the SDI enthusiasts discovered the "rubber mirror" in a Californian university. Astronomers had the idea of using many small, perfect mirrors under the control of a computer which continuously adjusts each one individually to present one big, perfect reflector.

G is for ground, a reminder that much of the technology of the SDI may be buried in silos or submerged in the ocean, not suspended in space. In his speech of March 23 1983, which launched the "Star Wars" debate, President Reagan made no reference to space.

H is for the high ground, traditional military objective; none stands higher than space. The Soviets won it with the Sputniks, placed in Earth orbit in 1957, but the Americans reached the Moon in 1969. Space has been an integral part of defence strategy for the past quarter-century.

I is for information technology, the all-encompassing term for advanced electronics and opto-electronics. The SDI is information technology writ very large. It is an attempt by Americans to widen what they see as an area of technical advantage over the Soviets, and (some say) thereby make Moscow more willing to discuss nuclear arms control.

J is for joule, the unit of energy in which potential beam weapons are rated. The most powerful chemical lasers so far have an output energy of the order of 10 kilojoules. But the way appears open to engineer far more powerful lasers, including the X-ray lasers, theoretically having 100-1,000 times the energy.

K is for Lord Kelvin (1824-1907), one of the most renowned British scientists, who nevertheless is on record as believing that radio had no future; that heavier-than-air flying machines were impossible; and that X-rays would prove to be a hoax.

L is for laser, the amplifier of light rays, invented by Theodore Maiman, a U.S. defence scientist, in 1960. It has taken a quarter-century of tremendous engineering effort to raise power levels from the milliwatt outputs of early lasers to the thunderbolts lasers can hurl today.

M is for MAD, mutually assured destruction, Churchill's "sturdy child of terror" which has been the rationale of nuclear defence for the last 30 years. MAD was born of a weapon, the A-bomb, one million times as effective as high explosive; followed by the H-bomb, 1,000-10,000 times as effective as the A-bomb.

It is said that beam weapons will prove one million times as effective as the H-bomb, another step change in technology necessitating a new rationale—the SDI.

N is for negotiation, over growing nuclear weapon stockpiles, the size of which has become politically unpopular for President Reagan. Although older nukes are being dismantled, the newer missiles pack more nukes within a single nose cone—a trend which shows no sign of abating under the rationale of MAD.

O is for opto-electronics, the confluence of two technologies forming the basis of information technology. Sensors which can see specks of heat several thousand miles distant, computers which manipulate photons (light particles) rather than electrons, and satellites which steer beams to the target are examples of opto-electronics the SDI will need.

P is for pulsed power, the technology of unleashing immense amounts of energy very swiftly, which lies at the heart of all beam weapons. Although Britain has no formal role yet in the SDI, American defence scientists freely acknowledge Aldermaston's contribution over many years to the technology of pulsed power.

Q is for those who question the case for SDI. They can be seen as a spectrum that reaches from those implacably opposed to nuclear weapons (who reject SDI because of the key role of the U.S. nuclear weapon laboratories in its conception), through political opponents of President Reagan, to scientists who see insurmountable problems for specific portions of the technology, and many more who dread any disturbance of MAD.

R is for President Ronald Reagan, whose speech of March 23, 1983, rekindled an anti-ballistic missile (ABM) debate which waxed in the 1960s but waned with the signing of the ABM Treaty of 1972.

S is for Stealth, the concept of hiding things from the increasingly penetrating gaze of the enemy's sensors. For example, by designing an aircraft or satellite to reflect a weak radar echo.

T is for Edward Teller, 77, Hungarian-born hawk of U.S. techno-politics, who converted from sceptic to an articulate advocate of the SDI and has been advising both President Reagan and the programme itself. Teller promotes the idea of large-scale demonstrations of critical aspects of technology to help convince sceptics how far they have advanced.

U is for universities, whose ideas for truly imaginative leaps that might improve certain technologies 1,000-fold in the next few years are being sought by the Strategic Defense Initiative Organisation in Washington DC. The SDIO has money—$1.4bn this year, and plans for spending $26bn in the first five years (although Congress is proving hard to persuade).

V is for vaporise, the most obvious effect of a powerful beam striking its target. The effect of a beam piercing a fuel tank of an ICBM could be devastating. But less-publicised effects of high-energy beams have been noted, such as violent explosions deep within a target when an electron beam strikes.

W is for a weapon which strikes at or near the speed of *light, 100,000* times faster than its target missile, where the weapons of primitive systems were missiles of much the same speed. Radars 100 times as powerful as any in the early-1960s, and computers which have tripled in power every three years, have also helped change perceptions of ABM defence.

X is for X-ray laser, shortest in wavelength and therefore most penetrating of the beams contemplated for the SDI. But the only way known to pump enough power into a laser to get "hard" X-rays—the shortest—is with a nuclear explosion.

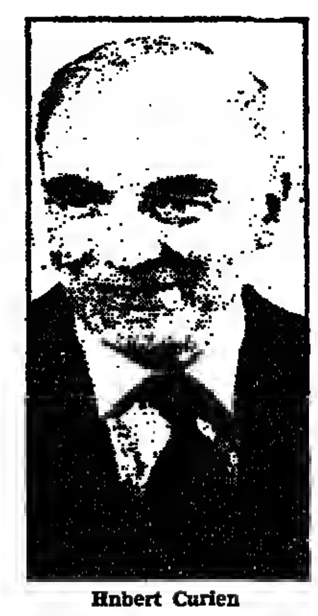
Y is for Gerold Yonas, chief scientist of the SDI, an international authority in thermonuclear fusion from the Sandia National Laboratories in New Mexico. Sandia is the engineering laboratory for nuclear weapons designed by Los Alamos and Lawrence Livermore. These three laboratories are the mainspring of the SDI.

Z is for zenith, the high point of the ICBM's trajectory, when its warheads and decoys fan out and vastly magnify the SDI's problems. The beams have just 340 seconds to find their targets before this happens.

Europe's Eureka programme

Neighbours must unite on new technology

By Hubert Curien



Hubert Curien

LEADING THE way into the 21st century, Europe, with the rich endowment of her traditions, her past, her culture, has just pledged her determination to reclaim her rightful position in world development.

Faced with the considerable efforts initiated in the U.S. and Japan, Europe has chosen, without further ado, to close ranks and brace herself to become a front-ranking power in high technology.

The Europe of technology means tomorrow's industry, tomorrow's jobs, tomorrow's competitiveness for Europe.

A research potential of the first order, with the manpower, the ideas, the projects and the hardware to match, provides us with the means to achieve this ambition.

Today, Europe is embarking resolutely on the path of progress. Over a number of years already, the movement which will turn Europe into a high-technology continent has been taking shape. The EEC Commission has put together a set of programmes which are already playing a very positive role.

Already, networks of European researchers or laboratories are being set up, while joint European efforts are being forged. Looking for a partner among one's neighbours is becoming as natural as looking for one across the Atlantic or in the Pacific, if not more so.

Eureka, the European technology co-operation programme, belongs to this movement. It completes and amplifies what is already there. It aims at attaining the capacity to build technological hardware involving a research effort which draws appreciably on the technological base already achieved.

Europe has already successfully developed such programmes. In the field of outer space, for instance, within the framework of the European Space Agency, there is a continuing scientific and technological effort coupled with the building of hardware, satellites or launchers, catering to current market needs.

Europe, albeit a less broadly-based Europe, has also demonstrated its capacity to develop the Airbus aircraft and make the venture not only a technical but also a commercial success.

These two examples are a good illustration of the Eureka approach. The objective is indeed to develop projects which must of necessity have an outlet meeting the needs of world or European markets, whether these needs be commercial or a matter of social or strategic necessity. Capitalising on the European dimension, these projects must involve genuine co-operation between the major industrial companies of several European countries while, at the same time, leaving the door open for smaller companies and research centres.

Eureka's specificity is that it is a set of such projects in the fields of high technology (communications, production, life sciences) each having its own organisational set-up — usually akin to that of an industrial project — bringing together genuinely interested countries or companies.

Such projects, conducted in a variable geometry framework will be encouraged in several ways: they must be given clear priority within national research and development policies; they must enjoy preferential funding within the framework of the European Community; and they must also have the benefit of a European market.

Such encouragement is by no means a substitute for the determination of industry itself. Europe must devise a new state of mind which will incite her industrialists to talk to each other and then join forces on a given project, with the support of the powers that be and the Community institutions, so that she asserts herself as a major world partner.

During the run-up to the next Eureka rendezvous in a few months' time, every effort must be made to forge links between our industry and our research centres. On July 17, in Paris, before 34 Ministers, I appealed to European industry to propose new projects, to deepen its contacts, so that fresh agreements might take shape. This appeal must be backed by our joint political resolve to encourage by every means at our disposal the truly cultural revolution already under way in our time-worn Europe.

In this respect, the reaction of the various delegations has been encouraging since each expressed its determination unreservedly. We must therefore press on resolutely in two directions:

● Technical: our proposals must be brought to maturity as soon as possible, the *companies* concerned must join forces, define precisely, for each project, the sum total of tasks required for its completion, identify problem areas, assess its cost advisedly, suggest ways of organising it.

● Political: each party, according to its own interests, will have to choose those projects it wants to participate in and hence choose the Eureka projects. Then the funding can be tackled in concrete terms. We must also define together, with the help of the European Commission, general measures relating to market organisation.

In the work which lies ahead, it is our own future which is at stake since nothing will be achieved without European solidarity. In Paris on July 17, Europe as a whole affirmed her strength and accepted the technological challenge: building on her heritage of traditions, culture and intelligence, she is resolved to stake out her position in the forefront of progress, competently and generously. United we can succeed.

The author is France's Minister of Research and Technology.

Letters to the Editor

Off-the-shelf aircraft

From the President, Society of British Aerospace Companies.

Sir,—In the welter of debate about the collaborative options for a European fighter aircraft (EFA) it has been suggested that the cheapest solution for UK would be to buy American aircraft off-the-shelf. This is a specious and facile argument.

Setting aside the unpredictable and capricious movements in the dollar/sterling exchange rate which have been playing havoc with the funding provisions for Trident I would have thought that a moment's thought would have yielded the following:

The UK aerospace industry is one of this nation's most successful wealth producers, exporting products last year to a value in excess of £3.5bn. Much of the technology contributing to that success is derived from our involvement in military aircraft programmes.

The intellectual thrust for all aerospace programmes is provided by the design teams. Dispose of the design teams and the whole industry would wither. How do we measure the cost of that?

A major combat aircraft programme like the Tornado, which we build in collaboration with Germany and Italy, generates direct employment in this country for over 50,000 skilled workers. If there is no follow-on programme to meet the defence needs of the Royal Air Force in the mid-1990s what fairy godmother will provide redundancy payments and social security benefits or alternative employment?

The world export market for a fighter in the EFA class is estimated to be some $50bn for the period 1995-2005, much of it within Nato. The multiplier effect from the provision of logistic support and training during the service life of the aircraft will at least double that value. The potential economic benefits to the UK from achieving even a small fraction of that market are enormous. Are we really prepared to abandon these benefits gratuitously to the Americans and French?

We all hope our Services will not need to use their front line aircraft in operational combat. But if they do it is vital, as has been demonstrated in recent times, that they can rely on immediate and dedicated support from an aerospace industry which has a total systems capability.

In short, those who argue that the cheapest option for Britain would be the purchase of American aircraft off-the-shelf would be equally correct, and equally preposterous, in arguing that the cheapest solution for France would be to buy British aircraft off-the-shelf. But I suspect that the French, no less than the British, believe that their future prosperity depends on maintaining their place among the world leaders in high technology for which their aerospace industry provides the cutting edge.

Clive Hunting.
29, King Street,
St James's, SW1.

Dire effects of a penny

From Mr J. Shaw.

Sir,—I agree whole-heartedly with the sentiments expressed by Mr Leslie J. Tolley (July 26) in relation to "top people's" salaries. Do these "greedy" careerists (who frequently have little equity in their employing company) ever consider the basic needs of their lower paid employees, and for that matter, does anyone in government either?

We employ a number of young persons whose present annual remuneration is the maximum which can be paid within the 7 per cent rate for National Insurance Contributions. If we increase these young people's pay by even one penny per week, they are immediately faced with an additional 2 per cent charge to NI over the whole of their wages—they are thus "rewarded" with a £1.79 per week reduction in take-home pay. This is crazy.

J. Neil Shaw,
John Reynolds and Co.
(Insurances),
21, Quay Street,
Manchester.

Mortgage interest tax relief

From Mr P. Jackson

Sir,—It seems that, privately, all political parties would like to see tax relief on mortgage interest phased out — Conservatives because it distorts the free market economy (a view Mr Lawson has stated more than once), Labour because of the social implications, and the Alliance because such relief is both unfair and does not fit in with the philosophy behind its proposed restructure of the tax system.

Yet publicly all parties recognise that to admit this would be political suicide. Recently Labour had to deny it was even considering discussing the issue, while Mrs Thatcher hastily dismissed the abolition aspects of the housing enquiry chaired by the Duke of Edinburgh. In your editorial (July 26) you stressed the broad spectrum of opinion represented by members of the committee of this enquiry, and this latter aspect suggests that their findings deserve wider debate.

Isn't it about time that we recognised that there are some issues (major changes to the state earnings related pension scheme and the welfare state are other examples) for which our party political system is unsuited because the only way forward without a frequent reversal of policies is by a consensus of opinion between all parties? In other words, cross-party consultation and decision-making on certain vital issues. The present political posturing on mortgage interest tax relief may score a few points off the opposition, but I doubt whether it is in the long-term national interest.

P. Jackson.
8, Branksome Way,
New Malden, Surrey.

Drift from farming

From Mr O. Laband

Sir,—The Hon Secretary of the Farm and Food Society (July 20) has highlighted some of the reasons why the privately funded international project which is to be launched in Africa will have to look at its projects very carefully.

With 30 years experience in agriculture and agro-industry most of it in Africa perhaps I may be permitted to add to these observations.

The decline in agricultural production has been accelerated by the drift to the towns from the villages of the young and fit who are now educated and find life in towns more remunerative and stimulating. It leaves the elderly up country to grow the food. This drift must be contained, and if possible, reversed. Agriculture has to be made financially attractive as the up country infrastructure which must provide water, electricity, housing hospitals and all other forms of recreation which can be found in towns.

Subsistence agriculture as practised in most areas does not provide an income which can compare with that of a clerk in town. Holdings are too small, the land tenure system does not encourage the development of larger individual units. It is very difficult to buy land. Land is people's security. One does not sell land.

State owned small holding schemes with co-operative marketing and logistics support from a larger centrally based estate have had an element of success. The state or a commercial enterprise acquired the land and let out the holdings. The centrally run estate provided the training for the smallholders, the machinery and the inputs. It sold the produce and processed the surpluses. The small holdings were large enough to produce an income which exceeded that of a clerk in town.

The creation of such units requires finance and an input of expertise and controls. Most Governments will agree to accept the finance, they must also be persuaded to accept the controls.

The primary object of any aid must be to make agriculture attractive to the young. Otherwise whatever the scheme, the object of increasing output will not be achieved.

O. E. K. Laband.
Glenyra,
Earlsferry Elie, Fife.

Industrial training

From Mr B. Lovesey

Sir,—Sir Richard O'Brien (July 24), states that "There should be no need to recruit from outside if a company is training its staff properly." Where does a new company recruit its staff? How does a company with a 50 per cent per annum growth rate train the staff it needs five years from now?

Sir Richard's ideas are clearly based on non-adaptive large bureaucratic companies.

We live in an age of fast change, never has there been a greater need for a highly trained and mobile labour force. In this situation large companies are reluctant to train for the genuine fear that they will not benefit from their investment and newer, smaller and rapidly expanding companies do not have the current resources to train for their future needs.

If we rely on the current very low levels of training skills in short supply will attract higher market wages, they will become even more mobile and this will further discourage the larger companies from training.

It is ironic that Sir Richard talks about the French-style national training tax, the French borrowed that idea from the 1964 Industrial Training Act. The Industrial Training Boards and the Manpower Services Commission effectively destroyed that arrangement when they invented levy exemption.

Our need for training greatly exceeds the current willingness and ability of industry to fund it.

As the youth training scheme has demonstrated it takes large scale government intervention to produce quickly the required volume of training.

Bob Lovesey,
6, Barncroft Road,
Berkhamsted, Herts.

FINANCIAL TIMES
Wednesday July 31 1985

David Marsh in Paris assesses French options for a new combat aircraft

Dassault may go solo in Euro-fighter row

THE COMPLEX tussle over the European Fighter Aircraft, now at a crucial stage after more than two years of negotiations, looks likely to mark a watershed in the long and illustrious fortunes of France's Dassault-Bréguet military aircraft-maker.

During the political and industrial horse-trading over the EFA among the five countries involved – France, Britain, West Germany, Italy and Spain – Dassault has been resolutely sticking to its guns.

The Dassault view, conveyed with as much diplomacy as possible by M Charles Hernu, the Defence Minister, and the other civil servants who have taken part in the negotiations, has been that France should have a dominant technical role in the EFA because of the company's 30 years of experience in making and selling Mirage jets.

Officials in Paris have been making clear in recent months that if the other four countries were not willing to accept that condition, France would go ahead alone in constructing a combat aircraft for the 1990s.

With chances for a last-minute compromise fading fast, and West Germany in particular pressing for a speedy decision, it is now looking increasingly likely that Dassault's bluff will be called.

Coinciding with a number of other important decisions affecting the future of the company – of which the state owns 46 per cent but of which M Marcel Dassault, its legendary 93-year-old founder, is still the main shareholder – the next year or so for Dassault promises to be a testing time.

Dassault has been spending several hundred millions of francs of its own money developing a delta-winged prototype fighter, called the Rafale, due to make its first test flight next May or June. The Rafale, of 8.5 tonnes basis weight, is much closer to the French air force's own operating requirements for the 1990s than the heavier air-superiority fighter favoured by Britain and West Germany.

It will also be cheaper to build. Crucially, both Dassault and the French Defence Ministry believe a Rafale-type aircraft will be much easier to sell abroad to developing countries and smaller Nato members which have traditionally formed Dassault's export clientele.

Assuming agreement on specifications and work-sharing could be reached, Dassault and the French Government would prefer collaboration to share the cost of developing a new 1990s jet. Building from its own resources the 330 aircraft France says it needs for the next decade – including 80 naval aircraft – might cost FFr 35bn ($4bn) perhaps 10 per cent to 20 per cent more than the cost of a joint project.

As a fallback option to a five-nation EFA, the French Government has been discussing with Bonn in recent weeks the possibility of a Franco-German deal.

Growing hostility in the West German aerospace industry to Dassault's desire for leadership and pressure in Bonn for an extension to West Germany's well-established partnerships with either British or U.S. aircraft builders is, however, clouding the chances of a bilateral Bonn–Paris accord.

Efforts to prevent the collapse of plans to build the Eurofighter were being made in the five national capitals concerned last night without much optimism that they would succeed, writes Bridget Bloom in London. Added urgency has been given to the last-ditch attempts by a deadline imposed by Herr Manfred Wörner, the West German defence minister, who declared that Bonn wanted a decision by the end of this month.

If Dassault goes it alone – possibly in co-operation with Spain – in developing the Rafale prototype, it can count on the full support both of Snecma, the nationalised engine-maker, and the strong French equipment and electronics industry.

M Benno-Claude Vallières, the 75-year-old long-time associate of M Dassault, who has chaired the company since 1988, likes to point out that 99.5 per cent of Dassault's latest Mirage 2000 is made in France.

Fearing a loss of technological leadership to British or West German companies, the French avionics industry in particular has been voicing its fears about collaboration in recent weeks.

Even though a go-it-alone decision would certainly win almost unanimous approval in French aerospace circles, it would raise a number of potentially serious question marks.

Dassault has become a byword for technical excellence in areas such as development of advanced composite materials and computer-aided design and manufacturing. The small team of dedicated Dassault-trained engineers who surround M Vallières – and who now make many of the important decisions – gives the company an esprit de corps that is probably unique in the aircraft world.

But even for a company still chalking up healthy profits – FFr 431m last year on FFr 15.7bn turnover, 69 per cent of which was exports – purely French military aircraft projects will be placing increasingly greater strain on finances.

Competition from U.S. combat aircraft makers such as McDonnell Douglas and General Dynamics, each of which have five to six times Dassault's turnover and are assured of much longer production runs, has become more muscular in recent years.

Dassault's clients in the Third World are facing financial difficulties. That is illustrated by the weekend news that Peru inteods to scale down its order for 26 Mirage 2000s, as well as the need to resort to all barter deals to secure a recent contract from Abu Dhabi.

A slowdown in the French Defence Ministry's ordering of Mirage 2000s, much resented by the air force but forced by budgetary austerity, has raised the importance of a strong order book. But Dassault's policies during the 1960s and 1970s of selling fast, manoeuvrable and cheap aircraft to the Third World – when it often acted as an instrument of France's independent foreign policy stance – may turn out less successful in the future.

Dassault itself implicitly accepts the need to diversify and to put more emphasis on co-operation.

With nearly 90 per cent of sales in military aircraft, Dassault is now bidding for a place in the European space business. It is competing with Aérospatiale for design leadership for Europe's planned mini-space shuttle, Hermes, planned to be launched by the Ariane rocket in the mid 1990s.

The French Government, which has 55 per cent of Dassault voting shares, this summer gave M Vallières a mandate to stay on as chairman until October 1986 – after next year's general election. The Dassault shareholding structure might anyway change in the next few years, given the advanced age of its principal shareholder and the right-wing opposition's denationalisation plans.

Whoever takes over the Dassault helm in November 1986 – either a top civil servant or one of M Vallières's present directors – will be presiding over a company facing greatly different challenges from the one that flourished under President Charles de Gaulle.

THE LEX COLUMN

Brain-teaser from the Professor

S. G. Warburg and Cazenove must be ruing the day they encouraged Professor Roland Smith to occupy the chair at House of Fraser. As advisers to Burton in its attempt to take over Debenhams, they find that their creation has developed his own ideas for the future of British retailing and, what is more, he has learned a thing or two from the best spoiler in the business about the influence that can be exerted from a minority position. After years of just responding to pricks and kicks from Lonrho, Professor Frankenstein and his colleagues now relish taking an independent line.

The House of Fraser intervention has made the last few days of the Burton offer into a tactical nightmare. With Fraser thought to have gone past 20 per cent yesterday, either side can probably buy another few million shares – or sell. As was shown by the success of Dixons' offer for Currys, the holding of a 25 per cent stake is not necessarily an insurmountable barrier. But the position is complicated on this occasion by the fact that Fraser and Debenhams have produced what looks like a a merger document in all but name.

Yesterday's proposales set out the possibilities for co-operation in purchasing, distribution and credit finance. If implemented, the plan would leave store management and promotion as virtually the only areas of autonomous operation. Apart from being designed to scupper the burton offer by offering a commercial alternative, that this is as clear e challenge as could be to the OFT's current free-and-easy approach to merger policy. Fraser/Debenhams could claim, and the marriage value of the association is arguably the greater because of the obvious similarities between the two businesses and the overlaps that could be eliminated.

If only Debenhams' shareholders were faced with a simple choice between the concept retailing offerd by Messrs Halpern and Conran and the more straightforward buying power arguments of Fraser. If Burton wins, Fraser will be left with around 25 per cent, to complicate Mr Halpern's lifestyle, while if the bid lapses. Burton will be able to buy enough shares to frustrate the necessary circular for the Fraser scheme. In such a tangle, the best course of action is normally the simplest: Debenhams shareholders are being offered what looks a rich

price for their investment by Burton, and it is hard to imagine – even get and Al Fayeds permitting – that any Fraser plan could ever offer them so much. The cash is there and should be taken.

NatWest Bank

As far as the market is concerned, National Westminster has got the banking interim reporting season off on decidedly the wrong foot.

Pre-tax profits of £354m are indeed 20 per cent higher than they were in the first half of 1984 but they have come in anything up to £100m below the more optimistic expectations. Having been lifted on to the clearing bank equivalent of a pedestal, NatWest's shares duly fell from grace, down 25p to 665p, and leaving the City feeling less rosy about the rest of the sector.

Some of the disappointments may be peculiar to NatWest. It is unlikely, for instance, that the other clearers permitted themselves so much unhedged currency lending exposure – £25m translation losses on sterling-funded Australian loan books are scarcely going to be the banking theme of the week.

If the other clearers have similar surprises, they are in any case likely to bury them as movements on reserves.

Although NatWest thus incurs an exceptional penalty in this year of Australian depreciation, it is only fair to recall that it must have been taking unnoticed translation profits through the profit and loss in previous years. There is no case now in favour of adding back something for Australia.

Although currency may thus account for a large part of the mismatch between NatWest and the calculations of its followers, there is also room for a touch of genuine concern about the performance of the domestic banking operations.

Balance-sheet growth has been restrained indeed. In the light of recent UK monetary growth; to show only 5.4 per cent expansion in the sterling book is practically to admit the loss of some market share.

Unless Barclays proves to have slipped up in some equally unpredictable way, NatWest could find that its shares – still at a premium yesterday – are soon pulled back into the pack.

Britoil

After the initial Britoil debacle, it was clear that British financial institutions would not let Government get away with anything less than generous terms on the sale of the rest of its shares. In fact, the Government and its advisers were completely at the mercy of the City this time; the institutions knew perfectly well that the Government could not afford a double flop for Britoil.

So it was no surprise that the institutions got the 10 per cent yield they had demanded, with additional sweeteners of partial payment and an extra interim dividend. To reach this yield, Lazards had to fix the new shares at a 9.8 per cent discount to a share price which had already fallen by 28p from its peak of 233p since the issue was announced. By contrast, British Aerospace's shares – admittedly in a bull market – were sold at a 5.1 per cent discount to a rising share price.

At yesterday's price of 200p, Britoil's share price has moved not a jot since the company was launched nearly three years ago – during which time, the company's net profits have grown by 60 per cent and its dividend by 30 per cent. Meanwhile, it has generated so much cash that borrowings have vanished altogether, far sooner than anyone expected.

On any measurement, Britoil looks cheap. Subscribers to the issue will be earning over 13 per cent in their first year and over 10 per cent thereafter on current dividends. They will be buying a share standing at only half its estimated net asset value and five times this year's earnings. Small wonder, then, that Swiss investors greedily snapped up the 10 per cent they were offered. They probably could not believe their luck.

Damascus gives 50 tanks to Amal

By Our Middle East Staff

AMAL, the mainstream militia of the Shia sect in Lebanon, yesterday took delivery of up to 50 T-54 tanks supplied by Syria in a move by Damascus probably aimed at pressing the Maronite Christians into agreeing to constitutional and political reforms.

Although Amal, with an estimated 6,000 men under arms, is the biggest of the Lebanese militias, it has not hitherto possessed armour. Fifty T-54 tanks – the number quoted by one Amal official, who said they had been pledged two months ago – would give the movement superiority in tanks over the Christian Lebanese Forces, but not necessarily over the militia of the predominantly Druze Progressive Socialist Party.

The arrival of tanks on transporters from the Bekaa Valley, where the Syrian Army is positioned, caused observers some bewilderment. In a security plan drawn up under Syrian auspices on July 9, leaders of armed Moslem factions agreed to withdraw their militiamen from West Beirut. Security was left in the bands of a mixed force composed of Lebanese army and police units.

A statement issued by the military branch of Amal said last month that the tanks would be used for collection of weaponry, as decreed in the latest Syrian-sponsored plan.

It said that the mainly Shia Lebanese Army's 6th Brigade, which is in control of security in West Beirut, was being entrusted with the tanks. The unit collaborated with Amal in the month-long hattle against Palestinian fighters in the refugee camps earlier this summer.

Delivery of the tanks coincided with a visit to Damascus by Mr Joseph al Hashem, Minister of Health, who is a senior member of the Phalange Party, the main Christian political grouping. It was reported that he had been sent by President Amin Gemayel to submit a list of Christians who might take part in planned talks on inter-sectarian reconciliation and political reforms.

Observers saw the provision of the T-54 tanks to Amal primarily in the context of accelerating Syrian moves to engineer or impose a new political order on Lebanon.

British proposals on star wars draw cool response from U.S.

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

PROPOSALS by the UK Government that Britain should be guaranteed a $1bn to $2bn share in the $26bn American star wars research programme have been coolly received by the U.S. Administration.

The new British proposals were discussed in Washington last week by Mrs Margaret Thatcher, the British Prime Minister, and Mr Michael Heseltine, the Defence Secretary, in separate meetings with Mr Caspar Weinberger, the U.S. Defence Secretary.

The two British ministers were responding to an invitation issued last March by Mr Weinberger to EEC and other allied governments to participate in the five-year Strategic Defence Initiative (SDI) programme.

It appears Mr Weimberger and other U.S. officials have been somewhat taken aback at the enthusiasm and persistence of Mrs Thatcher and Mr Heseltine. The proposals they have put forward go far beyond the piecemeal co-operation on "pathfinder" projects originally envisaged by Washington which, many observers believe, was proferred more in the bope of achieving allied political support for SDI than in the expectation of offering Europe full participation in the research programme.

The new British proposals are understood to emphasise the necessity of such partnership, albeit on a bilateral basis between Britain and the U.S. The plan strives to set a financial target of between $1bn and $2bn for work that could be contributed by British companies, universities and research establishments over about five years. It also seeks guarantees from the U.S. of a two-way flow of technology across the Atlantic.

Mrs Thatcher supports the SDI programme although Sir Geoffrey Howe, the British Foreign Secretary, has expressed strong reservations about the strategic implications of deploying a defence against incoming nuclear missiles.

Mr Heseltine feels that, quite apart from their star wars implications, the technologies involved in the SDI research programme are vital to the development of future generations of military equipment. Britain is already strongly involved in some of those areas – notably communications, command and control systems and software and laser technology – and cannot, it is argued, afford to be cut out of on-going research into them.

The U.S. has apparently agreed to set up a joint working group of officials to examine the UK proposals.

However, Administration officials have made no secret of Washington's strong reservations about the British plan. Those range from anticipated Congressional opposition to giving access to high-security research even to an ally of Britain's standing, to the "impracticality" of providing any sort of guarantees on workshares or technology transfer. Officials are also concerned about the political influence that full participation in SDI research might give Britain if and when deployment of SDI systems becomes possible.

That discouraging U.S. reaction seems certain to feed fears in Britain and elsewhere in Europe that participation in the research program might result in a brain drain and a one-way flow of technology westwards across the Atlantic.

In London, opinion seems divided as to how the Government should proceed now.

A to Z of star wars technology, Page 15

Brussels to study end of coal subsidies

By Ivo Dawnay in Brussels

THE EUROPEAN Commission will today peruse long-awaited plans for the future of the EEC's coal industry, aimed at a long-term phasing out of government subsidies.

Technically, all financial support to the industry was due to come to an end on December 31 this year, but such a scheme has long been abandoned as politically unacceptable to member states.

The Commission's proposals, drawn up by M Nicolas Mosar of Luxembourg, will be examined by Energy Ministers in Brussels after the summer holidays. The sensitivity of Governments to the handling of the coal industry has already sparked rows between the Commission and member states.

Documents leaked in May suggested that M Mosar's original plan aimed at ending all subsidies by the year 2000 and cutting back production by 15 per cent by the end of this decade, so reducing jobs from the current 435,000 to 290,000.

That is understood to have been substantially diluted under pressure from the Ten.

A second controversial element in the Mosar proposals was the suggestion that the supervision of subsidies would be in the hands of the Commission as is the case with most industries operating outside the normal competition rules.

The British Government in particular is vigorously opposed to such a move, remaining adamant that member states themselves must retain full control over the future of their domestic industries.

Hard coal production in the EEC fell to less than 43m tonnes in the first quarter of 1985, 14 per cent down on the same period last year, but 95 per cent of the drop was directly attributed to the miners' strike in the UK.

Japan move on trade friction

Continued from Page 1

U.S. Congress reconveoes in the autumn and Europe returns from its summer break.

Mr Shintaro Abe, the Japanese Foreign Minister, added bluntly that improved market access alone would not satisfy Japan's major trading partners.

In fact, the prohability that Japan will face a general election within the next 12 months is bound to make the political constituency more favourable to stimulus. Some bureaucratic problems may have to be addressed, bowever.

Japanese officials were also at pains to stress the lengths that had been travelled in the import action programme. Much of it had been unveiled in advance or separately – as in the case of financial liberalisation – but the initial impression of some Western diplomats was that proposed reforms, especially in the areas of government procurement policies and simplified standards and certification procedures, went beyond their modest expectations.

AT&T sets up joint venture with Ricoh

BY PAUL TAYLOR IN NEW YORK

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, yesterday announced the formation of a new joint venture with Ricoh, the Japanese group, to market small telephone systems in Japan.

The announcement represents the latest in a string of Japanese joint-venture agreements presented by AT&T and other U.S. telephone equipment manufacturers in recent months. The deals signal the importance of the buge Japanese telecommunications marketplace and the recent opportunities presented by the privatisation of Nippon Telegraph and Telephone (NTT) on April 1 and the opening up of the Japanese market to foreign competition.

Under the terms of the latest deal, AT&T said it would bold a 51 per cent stake in AT&T Ricoh, the new company, and would arrange a technology transfer allowing it to manufacture small business telephone systems adapted for the Japanese market.

AT&T, which earlier this month formed Japan ENS, another joint-venture agreement with Japanese companies to provide value-added network services in Japan, said the first product of the new company would be an AT&T small telephone system, called the R Series, "a multifunctional, cost-effective system with a maximum capacity of four outside lines and 10 telephone stations."

The U.S. group added that a higher-performance system, with eight-line capacity and 20 stations, was planned to be introduced soon. Both key telephone systems are aimed at small businesses without the need for higher-capacity private branch exchange (PBX) systems.

The latest joint-venture agreement represents an extension of AT&T's business relationship with Ricoh.

Restraint at Helsinki talks

Continued from Page 1

For Mr Shevardnadze, however, the Helsinki Agreement had stood the test of time and had remained the foundation of peaceful coexistence of states with different social, economic and political systems.

It had formalised the political realities of post-war Europe and even the serious aggravation of tensions which had occurred from time to time had not killed "the roots of detente."

The main failure of the Helsinki Agreement had been in the field of disarmament. The U.S. was responsible for this through its efforts "to implement its star wars plans by whatever means"

Looking forward to the summit meetings later this year between Mr Mikhail Gorbachev, the Soviet leader, with President Ronald Reagan of the U.S. and President François Mitterrands of France, Mr Shevardnadze said that these discussions "should result in a relaxation of the current dangerous tension in the world and a turn for the better in European and world affairs."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	31	88	Malaga	S	30	86	Salzburg	F	20	68
Akrotiri	S	31	88	Faro	S	26	79	Malta	S	33	91	Seoul	S	35	95
Algiers	S	35	95	Florence	F	32	90	Manila	S	33	81	Singapore	C	30	86
Amsterdam	R	17	63	Frankfurt	C	21	70	Miami	S	26	79	Stockholm	C	18	64
Athens	S	33	91	Funchal	F	24	75	Milan	F	28	82	Strasbourg	F	24	75
Bahrain	S	37	99	Geneva	C	19	66	Moscow	F	23	73	Sydney	F	14	57
Bangkok	C	31	88	Gibraltar	S	25	77	Munich	F	21	70	Taipei	S	32	90
Barcelona	F	24	75	Guernsey	C	16	61	Nairobi	F	25	77	Tangier	–	–	–
Beirut	S	29	84	Helsinki	C	17	63	Naples	S	31	88	Tehran	–	–	–
Belgrade	S	36	97	H. Kong	C	32	90	New Delhi	C	33	90	Tel Aviv	S	30	86
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Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK economy warning

Continued from Page 1

ing those at the Treasury, who expect the economy to grow by about 3½ per cent this year compared with output in 1984.

The CBI's economists say that growth is now slowing down compared with last year's growth, with output in the third quarter expected to be 2.6 per cent higher than the level a year earlier.

On the more optimistic side, however, they say: "The survey confirms the view that inflation will moderate over the coming months." But they add that this reflects "intense competitive pressure."

The survey showed some evidence that industry was suffering increased bottlenecks from shortages of skilled labour and plant capacity although these still appear to be localised. Most firms said they could expand output if they had more orders.

The cost of finance loomed larger as a brake on investment, but uncertainty about demand was also the most common constraint along with inadequate returns on investment.

The July survey results suggest overall some general falling off in optimism, output and orders compared with very buoyant levels indicated in the last survey in April.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 31 1985

Volatile exchange rates boost interbank lending

BY ALEXANDER NICOLL IN LONDON

A SHARP increase in interbank lending activity by international banks could have been due to the volatility of exchange rates, the Bank for International Settlements (BIS) reports today.

A $54.8bn increase in crossborder interbank lending in the first quarter of 1985, against normal seasonal trends, more than accounted for a $53.1bn rise in gross crossborder assets, quarterly figures from the BIS showed. The total increase compared with a $52.2bn rise in fourth quarter 1984, and was sharply above the $32.5bn growth of the first quarter of last year.

A possible explanation of the interbank surge the BIS said "may lie in the substantial movements of exchange rates, which may have entailed for the banks a large amount of spot covering of forward exchange operations conducted with their customers."

Such covering is normally done through borrowing or placing funds in the interbank market.

A further influence could have been interbank operations related to the large volume of securities issues, the BIS said.

The growth of interbank lending was actually manifested in three ways:

- Seasonal build-ups in Japanese banks' balance sheets ahead of the March year-end;
- Among European banks, growth of interbank operations which offset seasonal unwinding of positions built up before their December year-end.
- Unusual growth in interbank positions between offshore centre and banks in other reporting countries.

The interbank growth masked a substantial deceleration in final lending, which totalled only $10bn. Loans to countries outside the industrialised world contracted by $2.4bn. Although the first quarter usually shows slow growth, this was the first ever quarterly decline. Cross-border lending to non banks fell $500m, but local foreign currency credits to non-bank residents rose $7.6bn, mainly due to loans by banks in Britain and France.

The decline in lending to non-banks, which has been attributed to the growing role of securities in international financial markets, was marked by a slight decline in the indebtedness of U.S. non-banks, which had strongly stimulated this business in 1984.

The BIS figures revealed a sharp increase in the roles of both the pound and the European Currency Unit (Ecu) in international banking, with the Swiss franc also showing increased popularity.

Eurosterling assets grew at a 33.3 per cent annual rate, while the rate of Ecu growth was 27.6 per cent but was even larger if domestic lending is included. Dollar assests accounted for only $8.1bn of the total $32bn growth reported by countries giving a currency breakdown, and D-Mark assets declined by $200m.

Ecu assets, totalling $37.5bn at the end of March, were 152 per cent up on their year-ago level. Ecu deposits have also been showing rapid growth, with a $7bn rise to $29.9bn in the first quarter. On both sides of the balance sheet, the increases have been accounted for mostly by interbank activity.

External assets of U.S. banks declined marginally, while European market centres and Japan showed strong growth.

Despite seasonal unwinding of positions, European banks' external assets showed $26.7bn or 2.5 per cent growth, with a sharp $9.4bn increase recorded by UK banks. Despite this, UK banks were net absorbers of funds by $3.7bn.

"A substantial part of this net absorption of funds from abroad was used for investment in longer-term foreign securities which are not included in banks' asset figures," the BIS said.

Belgian, Luxembourg and Dutch banks showed strong growth in cross-border assets, while France had a slight non-seasonal increase and Italy showed only a moderate rise which suggested a fairly strong underlying growth trend. Japanese banks had seasonally strong growth in external assets in foreign currencies, but there was a deceleration in the pace of external claims in yen.

China was a large net taker of funds in the quarter, and has reduced its net creditor position with banks by $5.5bn to $10bn in the last two quarters.

U.S. Steel increases dividend in quarter

By William Hall in New York

U.S. STEEL, the biggest of the U.S. steel producers, has increased its quarterly dividend by one fifth to 30 cents per share. The increase – the first since mid-1982 when the company was forced to halve its dividend – is the clearest sign to date that the financial fortunes of one of the best known companies in the U.S. is recovering.

Mr David M. Roderick, U.S. Steel's chairman, says: "The increase reflects the improved condition of the corporation since its return to profitability in 1984, its strong performance in the first half of 1985 and expected continued profitability in the future."

U.S. Steel yesterday reported second quarter net income of $133m, or 93 cents per share on sales of $5.1bn, compared with $140m, or $1.04 per share, on sales of $4.9bn in the same period of last year.

Although the second quarter figures are marginally down on last year, they are more than double the first quarter profits of $58m.

Mr Roderick said that the second quarter results clearly demonstrate the effectiveness of the group's continuing efforts to operate its businesses more efficiently "especially in the light of the lower prices in many of the markets we serve and fewer benefits from extraordinary gains and asset sales compared with the second quarter of last year."

Commenting on the group's steel operations, Mr Roderick said that "despite a market characterised by severe price competition, steel and related resources achieved an operating income of $25 per ton shipped. This performance reflects more than a 21 per cent reduction in manhours per ton shipped since the second quarter of last year and points to the importance of labour efficiencies to profitability."

Turner threatens proxy campaign against CBS

BY PAUL TAYLOR IN NEW YORK

MR TED TURNER, chairman of Turner Broadcasting Systems (TBS), yesterday confirmed that he was trying to raise cash for a new offer for CBS, and threatened that, if this attempt failed, he would wage a proxy battle against CBS at the U.S. broadcasting group's next annual meeting.

The Turner threat came after the U.S. Federal Communications Commission (FCC) rejected his attempt to block CBS's proposed $985.4m or $150 a share stock buyback offer for 21 per cent of its stock – part of the broadcasting group's anti-takeover defences thrown up after Turner Broadcasting mode a bostile all-paper bid for CBS in mid-April.

Mr Turner, responding to the FCC decision, said he would continue to pursue his takeover attempt, even if he failed to win a court injunction blocking the recapitalisation plan. "If we fail in court, we will attempt to revise our offer," Mr Turner said. Turner Broadcasting had already hinted that it was trying to line up partners in order to raise cash for a new offer for CBS, but Mr Turner's comments were the first positive confirmation of such a move from the TBS chairman.

Any new offer would replace Turner Broadcasting's existing controversial hostile takeover bid for CBS, comprising high-yield junk bonds with a face value of $5.41bn, made in mid-April.

Separately, Loews, the U.S. entertainment, cigarette, Bulova watchmaking and insurance group, built into a mini-conglomerate by Mr Laurence Tisch, chairman, has acquired a 9.9 per cent stake in CBS.

Loews disclosed the 2.95m-share stake, which it said it had acquired for $347m, in a U.S. Securities and Exchange (SEC) filing. The group said it had acquired the shares for investment purposes only and would tender the stock under the CBS share buyback plan.

Wall Street views the move as part of a complex arbitrage share trading strategy, taking advantage of complex corporate tax provisions, rather than the preliminary to a possible hostile takeover attempt. Yesterday CBS shares were trading at $117¼, up $⅛ on the overnight close.

However, Loews also disclosed that during informal talks with CBS, Mr Tisch had indicated an interest in acquiring the broadcasting group. Those discussions took place after the Turner bid was tabled.

Xerox earnings advance by 35%

By Our New York Staff

XEROX, the U.S. office equipment group, yesterday reported a 35 per cent gain in second-quarter income from continuing operations, buoyed by renewed strength in its Crum and Forster insurance subsidiary.

In the latest quarter Xerox, which has been struggling to reverse a sharp earnings slide last year, reported income from continuing operations of $118m or $1.11 a share compared with $88m or 79 cents a share in the corresponding period a year ago. The second-quarter earnings lifted six month income from continuing operations to $234m or $2.19 a share from $22m or $2.07 in the 1984 period.

Continuing operations for both the 1985 and 1984 periods exclude operating results from the group's publishing units, which are being sold, and its Shugart computer disk-drive unit, which were discontinued in the 1984 fourth quarter.

In the latest second quarter $103m income from discontinued operations made final net earnings of $221m or $2.17 a share, while in the six-month period $100m in income from these operations lifted net earnings to $334m or $2.07.

Revenues from Xerox's continuing reprographics and information systems business in the quarter increased by 3 per cent to $2.14bn from $2.08bn and by a modest 1.5 per cent to $4.08bn from $4.02bn in the six-month period.

The company said second-quarter income from its continuing reprographics and informations systems business increased by 9 per cent to $102m against $94m a year earlier.

Income from the group's financial services division, comprising Crum and Forster, Xerox Credit and Van Kampen Merritt, rose to $28m from $5m in the year-earlier quarter and from $38m to $48m in the first half.

The gain was spurred by a turnround in the insurance business, but Xerox noted Crum and Forster's second-quarter and first-half operating results were adversely affected by the need to increase reserves to cover higher estimated costs to settle outstanding claims.

Rockefellers plan to raise $1.1bn

BY OUR NEW YORK STAFF

THE Rockefeller family has announced plans to raise $1.1bn through a complex public share and foreign convertible debt offering involving the launching of a new company which will eventually own 60 per cent of the Rockefeller Center, one of New York's most famous and valuable parcels of land and office buildings.

Under the terms of the plan Rockefeller Group (RGI), owned by the Rockefeller family, has formed a new company, Rockefeller Center Properties. The new company announced plans for an initial public offering involving 30m common shares priced at $20 each to raise $600m, and the sale of convertible debentures, to be offered outside the U.S., which are expected to raise an additional $500m.

The proceeds of the sale will be used to make a $1.1bn participating convertible loan to the family interests.

In addition, the debentures will be convertible into 57m shares in the new company in the year 2000. At that stage Rockefeller Center Properties will have the option to convert the $1.1bn loan into a 60 per cent interest in the Rockefeller Center, leaving the Rockefeller family with a 40 per cent stake.

The eventual sale of a majority public interest in the Rockefeller Center, which comprises a huge block of land and 6.2m sq ft of prime office and retail space in the heart of fashionable mid-town Manhattan on Fifth Avenue, appears to represent a significant shift in strategy by the Rockefeller family interests, and an attempt to diversify their holdings.

Last year RGI acquired most of the land under the Rockefeller Center from Columbia University, for

Robert Bosch streamlines Spanish units

By Our Frankfurt Correspondent

ROBERT BOSCH, the West German electricals and vehicle components concern, has merged its two manufacturing companies in Spain to help to streamline operations and cut costs.

The merger forms part of a restructuring plan agreed with the Spanish trade unions and Government, involving concentration of production at fewer plants as well as closer integration into Bosch's international manufacturing network.

The new company – Fábrica Española Magnetos SA (Femsa) – will employ around 5,500 people at 11 Spanish plants, compared with a labour force of more than 5,700 employed at Bosch's two Spanish concerns last year.

Bosch notes that it has injected big, but unspecified, funds into its Spanish operations in recent years – both to cover losses and to finance a DM 250m ($88.9m) investment programme between 1981 and 1985.

Changing pattern of Euromarket usage

BY OUR EUROMARKETS STAFF

A BUILD-UP in official holdings of Eurocurrency deposits in currencies other than the dollar exerted a moderating influence over the U.S. currency's appreciation last year, according to a study by the Bank for International Settlements (BIS).

The analysis, published today with quarterly banking statistics, showed that the changing use of the Euromarket as a repository for official foreign exchange reserves has had a series of differing effects on exchange rates.

The BIS sketched three phases of this process. In the late 1970s, the weakness of the dollar was reinforced by a build-up of non-dollar deposits in the Euromarkets, and by a shift of dollars from the U.S. to the Euromarkets to take advantage of interest rate differentials between the two market places.

From late 1980 until mid-1983, however, there was a marked switch of reserves away from the Euromarkets which contributed to the dollar's recovery, the BIS said. "Part of the contraction in official Eurodeposits reflected a preference on the part of official monetary institutions for holding dollars in the U.S. rather than in the Eurodollar market," it said. This probably reflected considerations of safety amid international political tensions, as well as concern about the effect on banks of debt problems which emerged in 1982.

The "flight to quality" resulted in large increases in holdings of U.S. Treasury securities.

Between mid-1983 and the end of 1984, there was renewed growth in both dollar and non-dollar Euromarket deposits, reflecting investments by non-Opec developing countries, a halt in a decline of Opec country deposits, and purchases of D-Marks within the European Monetary System. Increased access to the Japanese market also appeared to have contributed, the BIS said.

These moves put a brake on the dollar's strength, it concluded.

BI-Invest in move to block Montedison

By Alan Friedman in Milan

BI-INVEST, the Milan-based property and financial group which is engaged in a bitter corporate struggle over Montedison's recently-acquired controlling stake, has taken new action designed to block the chemicals group's move. It was learned yesterday that BI-Invest has paid between L6bn ($3m) and L7bn to take a 2 per cent stake in Ferruzzi, the leading Italian sugar group, which is also a shareholder in Montedison.

The latest stockmarket operation follows BI-Invest's purchase for L40bn of 2 per cent of Montedison itself. Both actions are designed to thwart Montedison because of Italy's rules on cross-holdings. In the case of the BI-Invest acquisition of Montedison shares, this is designed to force Montedison to cede its 37 per cent stake in BI-Invest, for which it paid L240bn.

The Ferruzzi share purchase would have the effect of blocking any transfer of the BI-Invest 37 per cent stake from Montedison to Ferruzzi. This is a possibility as Sig Mario Schimberni, Montedison's chairman, and Sig Raoul Gardini, Ferruzzi chairman, are business allies. Ferruzzi owns just above 3 per cent of Montedison.

Meanwhile, Sig Cesare Romiti, Fiat managing director, is acting as an intermediary and trying to find a solution which will save face all round.

UK interest rate cut prompts ICI to launch £75m bond

BY MAGGIE URRY IN LONDON

IMPERIAL Chemical Industries took advantage of the cuts in UK interest rates to launch a £75m Eurosterling bond yesterday. Demand for sterling denominated bonds has been boosted by hopes that the currency will continue to make gains.

ICI's deal has a seven year maturity and pays a coupon of 10¾ per cent. Issue price is 100¾ and fees total 2 per cent – *unusual for this maturity* – giving ICI a cost of borrowing just under the yield on UK government bond issues. The proceeds will be used for general corporate purposes. The deal is led by J. Henry Schroder Wagg with S. G. Warburg as co-lead. The bonds were trading within the fees yesterday afternoon.

The Eurodollar bond market remained in the doldrums yesterday ahead of the U.S. Treasury refunding announcement. Prices slipped by up to ½ point.

Kobe Steel of Japan was keen to make a successful issue and priced a $50m five year deal with a 10⅝ per cent coupon and par issue price. The book-runner is Chase Manhattan.

The terms looked generous given that Japanese investors can buy the bonds freely, since they are issued from Japan and the bonds were trading within a ½ point of the issue price.

Credit Suisse First Boston launched a $30m floating rate note for Sundsvallsbanken, the Swedish bank, as part of a $130m package. Terms were set at a seven year maturity with interest set a ⅛ per cent above six month London interbank bid rate. Fees total 25 basis points.

Syndicate managers are already beginning to look for mandates from Japanese companies to issue Euroyen floating rate notes once the final go-ahead from the Japanese authorities is obtained next spring.

The Bundesbank, West Germany's central bank, announced that eight D-Mark Eurobond issues are expected to be launched in August with a total value of DM 1.505bn. Only one of the issues will be a floating rate note, a DM 500m deal for Belgium to be led by CSFB-Effectenbank. The other seven issues will be fixed rate deals. Finland and Österreichische Kontrollbank are believed to be among the borrowers.

No new issues were launched yesterday although DM 400m of the DM 1.83bn of issues expected in July has still not appeared. It is thought that at least one issue has been postponed.

Prices were little changed in quiet trading yesterday, though the falling New York market is beginning to have a dampening effect on the D-Mark market.

In the Swiss franc foreign bond market Soditic has introduced the idea of collateralised bonds, bringing a SwFr 100m public issue for Glendale Federal Savings and Loan. The bonds will be backed by government and mortgage paper giving the bonds a triple A credit rating. These types of issues were first launched in the Eurodollar bond market early in 1984 and have performed better than other un-collateralised issues.

Terms were fixed at a 5½ per cent coupon and par issue price for a 10-year life. The proceeds are being swapped into fixed rate dollars. Co-leads on the deal are Goldman Sachs and Manufacturers Hanover (Suisse).

SBC launched a SwFr 300m issue for the World Bank in two tranches. The first a SwFr 100m 10-year deal has an indicated yield of 5¾ per cent and the other a SwFr 200m 20-year deal has a yield indicated at 6 per cent.

Chrysler Finance launched a SwFr 103m seven year issue led by SBC, which is also a swap into dollars. Terms were fixed at a 5¾ per cent coupon and 100¼ issue price for the private placement.

Swiss franc foreign bonds were unchanged on average yesterday. In the afternoon the banks cut their time deposit rates from 4½ per cent to 4¼ per cent for 3 to 12 month money but the news came too late to help the market.

The World Bank launched a 12-year public issue on the Dutch domestic bond market raising Fl 400m. ABN set the coupon at 7½ per cent and issue price at 100½. On the Euroguilder market Thyssen, the German company, launched a Fl 50m issue also led by ABN. The five year private placement pays a 7¼ per cent coupon and is issued at par.

International bond services, Page 17

Mannesmann chief dies

By Jonathan Carr in Frankfurt

DR FRANZ Josef Weisweiler, chief executive of Mannesmann, the West German engineering concern, died yesterday after a brief illness. He was aged 57.

His death robs one of the country's top companies of a tough and forthright leader who had been in the job for just two years.

Dr Weisweiler was with Mannesmann from 1970, among other things heading the group's steel pipes division – notable not least for the big contracts it won from the Soviet Union.

After serving as board member responsible for technical development, he succeeded Dr Egon Overbeck as chief executive in 1983. Under Dr Weisweiler's leadership, the group has flourished, with net profits almost doubling last year to DM 188m ($66.9m) on turnover close to DM 16bn. It is not yet clear who will succeed him.

UK groups arrange loan facilities

BY OUR EUROMARKETS STAFF

MARKS & Spencer, the UK retailer, is arranging a £75m ($106.5m) bankers' acceptances and advances facility to back the credit-card operations of its subsidiary, St Michael Financial Services.

N. M. Rothschild is leading the one-year facility, from which drawings will be made through the tender panel system.

Separately, another facility for a UK borrower has been increased by 50 per cent to $300m after a strong response in syndication. The seven-year multiple option facility, led by Citicorp for Grand Metropolitan, the hotels, leisure and catering concern, has also had its backstop element raised from $100m to $150m.

The Italian tyre group Pirelli, which recently tapped the Eurobond market for a three-tranche $150m issue in three currencies, is also arranging a £50m revolving acceptance facility with a one-year maturity and a maximum acceptance commission of ⅛ per cent.

INT. COMPANIES and FINANCE

Takeover defence costs hit Unocal

By William Hall in New York

UNOCAL, the U.S. West Coast oil group, suffered a 35 per cent fall in earnings to $120.4m in the second quarter, primarily due to the costs incurred in the successful defence against Mr T. Boone Pickens, the corporate raider who tried to take the company over earlier this year.

Mr Fred Hartley, Unocal's chairman, said $60m of the earnings decline was due to higher expenses incurred in the takeover fight and higher interest charges to service Unocal's long-term debt, which it took on following its share buyback.

The latest profits compare with $185.7m or $107 a share last time, and take the six-month total to $301m or $1.89 against $365.8m or $2.11. Revenues in the quarter were $2.9bn against $3bn.

Mr Hartley said: "To service our new debt, we will slow down some investments and become even sharper in our operations and investment decisions. Our strong cash flow, however, will enable us to maintain an active petroleum exploration and development programme."

The company's operating earnings remain strong, he said, due to increased geothermal energy production, higher marketing margins and pipeline equity earnings.

● Tosco, the big independent refiner which has been facing serious financial problems, reported a sharp profit improvement with second quarter earnings of $18.8m or 77 cents per share, compared with $1.5m or 4 cents per share, in the same period last year. The company says that its margins have improved because of the larger percentage of higher-valued unleaded gasoline produced during the quarter.

N. AMERICAN QUARTERLIES

BROWNING-FERRIS INDUSTRIES
Waste disposal

Third quarter	1984-85 $	1983-84 $
Revenue	298.5m	259.2m
Net profits	31.3m	25.1m
Net per share	0.88	0.73
Nine months		
Revenue	834.6m	723.4m
Net profits	80.5m	64.3m
Net per share	2.31	1.88

CUMMINS ENGINE
Diesel engines for heavy trucks

Second quarter	1985 $	1984 $
Revenue	551.4m	606.1m
Net profits	13.9m	45.4m
Net per share	1.46	4.78
Six months		
Revenue	1.12bn	1.17bn
Net profits	43.3m	83.8m
Net per share	4.54	8.81

DUPONT CANADA
Chemicals

Second quarter	1985 C$	1984 C$
Revenue	315.2m	312m
Net profits	892,000	15.6m
Net per share	0.06	0.99
Six months		
Revenue	603.9m	606.7m
Net profits	6.3m	27.5m
Net per share	0.40	1.74

ENGELHARD CORP
Precious metals refiner minerals

Second quarter	1985 $	1984 $
Revenue	479.8m	600m
Net profits	10.3m	18.4m
Net per share	0.38	0.68
Six months		
Revenue	1.05bn	1.25bn
Net profits	22m	2.8m
Net per share	0.82	0.10

ELECTRONIC DATA SYSTEMS*
Information systems

Second quarter	1985 $	1984 $
Revenue	755.2m	224.4m
Net profits	42.5m	16.8m
Net per 'E' share	0.67	—
Six months		
Revenue	1.44bn	427.7m
Net profits	80.5m	36.9m
Net per 'E' share	1.30	—

* Subsidiaries of General Motors

R. R. DONNELLEY & SONS
Largest U.S. commercial printer

Second quarter	1985 $	1984 $
Revenue	456.8m	417.3m
Net profits	22.9m	30.3m
Net per share	0.58	0.79
Six months		
Revenue	900.5m	796.5m
Net profits	59m	53.6m
Net per share	1.54	1.40

SONAT
Pipelines, oil and gas exploration

Second quarter	1985 $	1984 $
Revenue	522.5m	576.4m
Net profits	25.7m	53.8m
Net per share	0.63	1.33
Six months		
Revenue	1.37bn	1.42bn
Net profits	75m	117.9m
Net per share	1.85	2.91

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 30.

U.S. DOLLAR STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. C. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

MTU gears up research to prepare for the era after Tornado

BY JOHN DAVIES IN MUNICH

MTU, the West German engine maker, is becoming more confident obout filling the gap in the aero-engine side of its business as it faces the prospect of orders for Tornado fighter aircraft engines running ont towards the end of the decade.

For some years this has been o central preoccupation at MTU, which is now part of the Daimler-Benz car and truck concern.

MTU is pressing ahead with efforts to build up the civil engine side of its Munich-based aero-engine business to help narrow the gap in post-Tornado operations. It is encouraged by signs of an uplift in the civil market, even though international competition is intense.

Production of the Tornado RB 199 engine makes up about 70 per cent of work at MTU's Munich factory

In the other major branch of its business—production of diesel engines at Friedrichshafen for ships, certain heavy vehicles and industrial uses—MTU still faces a difficult world market, which is suffering from weak demand and overcapacity.

In addition the company is coming to terms with two major events which brought it into the headlines earlier this year: the assassination of Dr Ernst Zimmermann, its chief executive, and a change in its ownership.

The company is still numbed by the murder of Dr Zimmermann, who was shot dead by intruders at his home near Munich in February. Police attribute the shooting to left-wing terrorists opposed to the West's "military-industrial complex."

Dr Zimmermann, who was 55, had been head of MTU since 1978 and was highly respected in industrial and aviation circles. He originally came to MTU via MAN, the truck and engine group, which joined forces with Daimler-Benz to pool some of their engine operations in the MTU group in 1969.

The other 16.2 per cent of the Friedrichshafen operations is still held by small shareholders, the shooting, which has revived mainly the Maybach and von Brandenstein-Zeppelin families, who were involved in early engine and aviation development in West Germany.

With MAN agreeing early this year to sell out, Daimler-Benz has fulfilled a long-nurtured wish to extend its interest in MTU.

Dr Hans Dinger, who recently moved up from the position of deputy chief executive to take over the top job, cautiously stresses that he expects no dramatic change as a result of the Daimler-Benz move.

Daimler-Benz has already made clear that it sees a high degree of independence for both MTU and Dornier, the light aircraft maker and research concern in which its recently succeeded in buying a 65.5 per cent stake. In one respect, MTU has gained more room for manoeuvre. Previously it had a contractual obligation to transfer profits to its equal owners, but there is no such contract with Daimler-Benz. As a result, there should be greater scope for internal financing of future developments.

Dr Dinger says that there is no plan for altering the range of diesel engines at MTU, but executives at MTU and Daimler-Benz have been looking at possibilities of mutual benefit. They have been considering, for instance, whether some engines produced by Daimler-Benz for vehicles could be adapted by MTU for use as marine or stationary industrial engines.

Daimler-Benz sees its move into MTU and Dornier as part of a long-term strategy of broadening its high technology base although their combined sales account for less than 10 per cent of the group turnover.

In research, Daimler-Benz hopes benefits could flow from one part of the group to another. For example, executives point to the possible use of heat-resistant ceramic materials for engines. Research co-ordination here might have implications for both aero-engine and vehicle engine business.

Daimler-Benz recently named its representative on the supervisory boards overseeing MTU and Dornier. As expected, Dr Werner Niefer, has taken over as chairman of MTU's supervisory board.

Dr Niefer played a major role in the formation and running of MTU before becoming a member of the Daimler-Benz management board.

Other key Daimler-Benz men with a supervisory role in MTU are Dr Gerhard Liener, the much-travelled Daimler board member responsible for its worldwide subsidiaries, Herr Edzard Reuter, Daimler's finance chief, Dr Rudolf Hoernig, the car group's research expert and Dr Manfred Gentz, personnel chief.

Last year, MTU reported net earnings of DM 29.3m ($10.2m), compared with DM 11.1m in 1983. Sales revenue edged down to DM 2.15bn from DM 2.18bn in 1983, with a rise in sales at the Munich's aero-engine operation more than offset by a decline at MTU Friedrichshafen.

With signs of improvement in the civil aviation market, civil work made np 20 per cent of MTU's aero-engine business last year, compared with 16.3 per cent in 1983. Civil work is expected to account for nearly 50 per cent of a reduced sales revenne by the end of the decade.

Production of the Tornado RB 199 engine — a project in which MTU has co-operated with Rolls-Royce of the UK and Fiat of Italy — makes up about 70 per cent of work at MTU's factory on the ontskirts of Munich. Other military work includes maintenance and repair of Phantom and Starfighter engines.

The aero-engine business has been running at full strength, with the Munich factory running a third shift in some operations to keep pace with demand.

Part of the improvement in civil engine prospects lies with the V2500 engine developed in co-operation with Pratt and Whitney, Rolls-Royce, Japanese Aero-Engines Corporation and Fiat. The V2500 engine is receiving an impetus as a result of orders by airlines, including West Germany's Lufthansa, for the European Airbus A320 airliner.

Executives point out that military engine work, such as the Tornado engine project, produces spin-off technological benefits in the civil engine area.

This is one reason why Dr Dinger argues for retrieving some sort of European fighter aircraft project from the lengthy five-nation talks involving France, West Germany, the UK, Italy and Spain. The project has appeared in doubt, largely because France has a different concept of the kind of aircraft needed.

At MTU Friedrichshafen, just under half the sales revenue comes from marine diesel engines, with another third or more from engines for heavy vehicles — particularly the Leopard 2 tank.

The marine market, which is characterised by relatively small-scale orders, remains weak, with many customers in developing countries pressing for countertrade deals as a means of financing business.

Doubts on Daim's efforts to bolster share prices

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA'S depressed stock market is moving into a crucial stage, as investors and analysts ponder whether the current bullish trend generated by the active intervention of Mr Daim Zainuddin, the country's increasingly influential Finance Minister, could be sustained.

The Kuala Lumpur Stock Exchange Industrial Index, which fell to a 30-month low of 455 points in mid-July, rose strongly to 498 last Friday on active trading, following Mr Daim's exhortation to the country's leading bankers and corporate chiefs to buy strongly into the market to prop it up.

Volume traded on the KLSE last week surged to 103.7m shares, valued at 177m ringgit (U.S.$72.5m)—a record since the 1981 boom—as government financial institutions, such as the Employees Provident Fund, and Permodalan Nasional, the national investment agency, bought heavily in the market.

There was, however, strong evidence of profit taking by Singapore and overseas investors, and this was reflected on Monday when the KLSE Index remained unchanged at 498 on a turnover of 15.5m shares.

Since he took over the finance portfolio last July, Mr Daim has worked hard to revive the KLSE. The measures he has taken so far include: a sharp cut in individual income tax in last October's budget; an order to commercial banks to lend more money for share purchases last December: bringing the Capital Issue Committee, the watchdog of the securities industry, under his direct control in January; a freeze on all new public listings in February; the lowering of commercial banks statutory reserves in April; and the lowering of interest rates last month.

He has also announced major changes to attract foreign investments, including allowing foreigners to retain 51 per cent equity control of joint ventures on easy terms, and a review of the cumbersome rules of the Industrial Co-ordination Act.

Bankers and share analysts in Kuala Lumpur are of two minds as to whether his efforts will work. They are unanimous however that Mr Daim is best equipped to do the job since he was a very successful businessman and stock market operator before joining the government.

"I don't think Daimism will work in the longer term," says one analyst, referring to the measures taken by the Finance Minister. "There is no intrinsic confidence in the market, and it cannot be *sustained* by artificial manipulation. The KLSE has remained depressed because of poor fundamentals. The Malaysian economy and political situation are not promising."

A merchant banker said only Malaysian Government-controlled financial institutions, such as the Employees Provident Fund, have the resources to invest on a large scale.

Another merchant banker feels that if Mr Daim can sustain the rally for a few weeks, there is a good chance of a stock market revival — buying confidence would be built up and would generate its own momentum.

He said Mr Daim had obviously been given a free hand by Dr Mahathir Mohamad, the Prime Minister, to revive the stock market and further stock-boosting measures can be expected.

Dr Daim Zainuddin—working hard to revive the KLSE

There is still much conjecture as to why the Malaysian Government is so keen to prop up the stock market.

Mr Daim said the current depressed market did not reflect the basic strength of the Malaysian economy, and the Government was concerned that the continued decline of the KLSE would affect local and foreign investors' confidence in the country.

It is also possible that the Government is stepping in to help out the numerous businessmen, including some prominent names, who have landed themselves in serious difficulties trying to service bank loans used to buy shares and property whose values have taken a plunge.

The Malaysian Government is also thinking of the general election early next year. A revived stock market means its election machinery would be well lubricated with financial contributions.

Malaysian bids called off

THE FAILURE of two takeover bids—one hostile and the other friendly—has cast a pale of uncertainty over mergers in Malaysia, and has increased pressure for a speedy introduction of the proposed takeover code and takeover panel, writes Wong Sulong.

In the past, Malaysian companies embarking on takeovers would make their bids and then seek approval from the Capital Issues Committee, the government watchdog. However, last month, the Kuala Lumpur High Court ruled that CIC approval must precede any bid.

The decision settled a hotly contested share exchange offer by MBF holdings for Emtex Corporation. This has now been called off.

Yesterday, Raleigh Cycles, the property and manufacturing company controlled by the family of Mr Daim Zainuddin, called off a friendly bid for Cold Storage Malaysia because it had been unable to get CIC approval. The decision to call off the bid is seen as a setback to Mr Daim.

Bridgestone profit tops forecast

BY YOKO SHIBATA IN TOKYO

BRIDGESTONE, Japan's largest tyre maker, with 50 per cent of the domestic market, has reported larger than expected parent company pre-tax profits of Y21.12bn ($88.7m), up 15 per cent, in the half year to June 30. Net profits were Y9.53bn, up 13 per cent on sales of Y288.94bn, up 8.7 per cent.

The rise was ascribed to profit improvements in the export division, stemming from the yen's depreciation, lower raw materials prices and more effective management.

Higher sales came from brisk shipments of tyres for new cars, reflecting increased car exports to the U.S. and China. Exports accounted for 32 per cent of turnover, up 7 per cent.

For the full year, Bridgestone expects pre-tax profits to expand by 16 per cent to Y44bn, Y4bn more than the original projection. Net profits are forecast at Y20bn, and turnover at Y600.000bn, up 11 per cent. The annual dividend will be held at Y10 per share.

● Nippon Yusen, Japan's biggest shipping line, has reported consolidated net profits of Y7.34bn for the year to March, against Y13.43bn, on turnover of Y835.78bn, against Y780.75bn.

It also announced it is buying from Texaco of the U.S. three 235,000 DWT tankers for Y10bn, with six- to nine-year loading contracts attached with Mitsubishi Oil.

Tanker owners are keen to secure long-term charter contracts with oil companies, and NYK's purchase is regarded as a good bargain since it has ready access to loading guarantees.

Hill Samuel in NZ venture

By Dai Hayward in Wellington

HILL SAMUEL New Zealand, the merchant bank has joined Francis, Allison, Symes and Company, a leading New Zealand stock broker, to set up an investment bank to be known as Fas Macquarie.

The bank will be 70 per cent owned by Macquarie Bank, Hill Samuels' Australian arm—and 30 per cent by the government-owned Life Insurance Corporation.

The bank will provide corporate advice, fixed interest market services, and local government services.

Stock market restrictions start to bite in Bombay

BY R. C. MURTHY IN BOMBAY

SHARE VALUES on the Bombay Stock Exchange have dropped by more than five per cent over the past week as measures to curb speculation have started to bite. The daily turn-over in shares of the 55 most actively traded companies plummeted to less than a third from Rs120m ($10m) before an unprecedented 40 per cent margin was imposed.

The BSE asked brokers to deposit in cash at the end of the *day 40 per cent of their* daily turnover in shares of all companies traded. Shares of more than 1,650 companies are listed on BSE, India's largest and most active share market.

The restriction followed a burst of speculative fervour since mid-July which lifted share prices to dizzy heights. The Bombay share price index of the Economic Times, India's main newspaper, soared 11.7 per cent to a record 555.7 points within a week before restrictions were imposed on July 23.

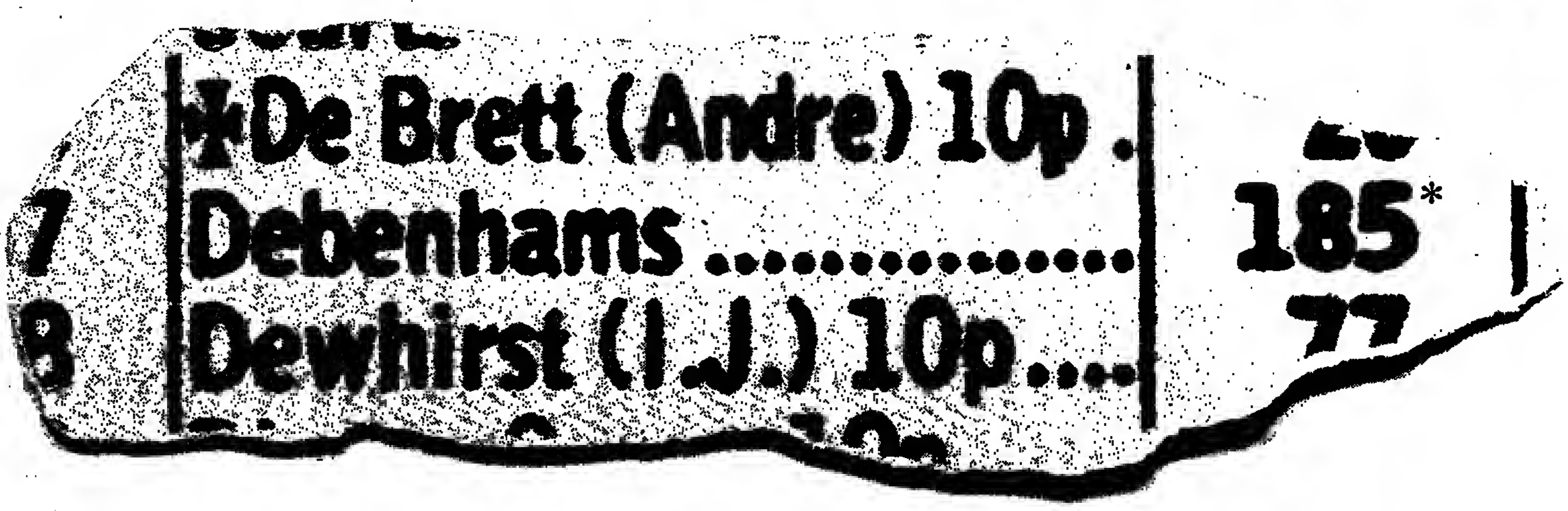
India's stock markets have *been rising steadily* since March 16 when Mr Rajiv Gandhi's government presented its first budget, cutting corporate and personal taxation and liberalising investment norms. Speculators have found the stock markets more attractive than commodity and bullion markets.

"Money is flowin (into the stock market) like water," says Mr Arvind Dalal, a prominent broker.

"These stringent restrictions are necessary," says Mr Dalal, to prevent the stock markets from overheating and driving away investors. The BSE governing board has expressed satisfaction at the behaviour of the market and plans to relax the restrictions at the week-end.

This advertisement is published by The Burton Group plc, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.

Remember the price before we came along?



No prizes for guessing where it'll go if you allow our offer to lapse.

Debenhams' share performance over the last decade could be most charitably described as uninspiring.

It didn't even keep pace with the rise in retail prices, let alone the FT All-Share Index.

On 9th April Debenhams' shares stood at 185p*—just 1p from their all-time high.

Then the City began buzzing with rumours.

Sure enough on 22nd May we made our bid.

Within 6 weeks the Debenhams' share price soared by 50% and has since flown even higher.

As a shareholder, you're probably delighted.

But you shouldn't feel complacent.

If you don't accept the Burton Group offer and our bid lapses, what price your Debenhams' shares then?

Will they plummet back to the pre-bid price?

To be honest, we don't know.

But it's worth remembering what happened back in 1972.

Debenhams received a bid from UDS. The Debenhams' board urged rejection and it fell through.

The share price slumped.

And it took a full 11 years to regain the level of the UDS bid.

So if there's a lesson to be learned from history it is this: Accept the Burton bid now.

*The price is based on the official middle market price of 222p as adjusted for the recent scrip issue.

With Halpern and Conran there will be life after Debenhams.

UK COMPANY NEWS

Martin Dickson on House of Fraser's intervention in a bitterly contested takeover battle

Debenhams: the odds lengthen on a Burton victory

THE CITY equivalent of a very large land-mine was set off yesterday in the path of Mr Ralph Halpern, the chairman of Burton Group, and his bitterly contested £550m takeover bid for Debenhams, the department stores group.

It came in the form of an announcement—just three days before the Burton bid is due to close—that Debenhams and Britain's largest department stores group, House of Fraser, have got together in an attempt to block Burton and instead form their own joint ventures.

The deal brings to an end one of the greatest City guessing-games of the past two months: what was Fraser's strategy in rapidly building up a stake in Debenhams, which had reached 17.52 per cent of the equity by yesterday morning?

The announcement raises as many new questions about the Fraser-Debenhams relationship as it answers, but analysts were united last night on one thing: it makes the odds on Burton winning its battle a great deal longer.

A major factor is the simple arithmetic of Debenhams' share structure. House of Fraser, which says it intends to buy more Debenhams shares, is permitted under the takeover code to lift its stake to around 24 per cent by Friday, the day Burton's bid closes.

Burton, which is backed by Habitat-Mothercare in its bid, itself holds just 10 per cent of Debenhams and is not permitted under the takeover code to buy more than another 5 per cent in the market.

An unusually high proportion of Debenham shares are held by small investors—possibly around 30 per cent of the equity. These people tend anyway to be tardy in accepting offers and, in the words of one analyst "are likely to be greatly confused by the Fraser link-up."

Yesterday's announcement is studiedly vague about the relationship likely to develop between Debenhams and Fraser. It says the two boards believe their companies are "compatible in terms of style, business and management" and intend to co-operate in two areas in particular:

● Debenhams successful credit finance company, Welbeck Finance, which made over £20m pre-tax last year on average debt of over £200m, would combine with House of Fraser's markedly less successful operation. The result, says Debenhams, would be a business with some 2.2m card-holders and debtor balance of around £400m, expected to rise to around £600m within two years.

The advantage for House of Fraser is clear. Debenhams, for its part, says it would benefit through a reduction in operational gearing and an increase in the operating efficiency of its computer system.

● The two groups would put together their merchandising and distribution systems. The similarity of the goods they sell, claims Debenhams, means that there are considerable efficiencie to be gained by sharing their existing resources and combining new investment in such areas as buying warehousing and vehicles.

The precise structure of these deals is still in the melting pot, and there is equal uncertainty as to whether one or both sides see their association as prelude to a full merger.

House of Fraser, which was itself acquired by the Egyptian Al-Fayed family earlier this year, could gradually increase its stake in Debenhams to 29.9 per cent—at a cost of around £150m—without having to launch a full bid.

Nor is it clear how the Office of Fair Trading and the Government would react to the joint ventures or to a merger. Following discussions last week between the OFT and Prof Roland Smith, Fraser's chairman, Debenhams was yesterday exuding confidence that the co-operation deals would be acceptable. It produces statistics to show that Debenhams and House of Fraser combined would have about 2.1 per cent of the retail market, as against 2.2 per cent for Debenhams, Burton and Habitat-Mothercare.

Burton, crying foul, last night dismissed the Fraser deal as a "desperate last minute manoeuvre by the Debenhams board to escape its clutches, and it said that the benefits of the pact were "more likely to flow to House of Fraser's owners than Debenhams' shareholders."

Dismissing these claims, Mr Robert Thornton, Debenham's chairman, insisted that he had first suggested such a deal to House of Fraser some years ago.

Professor Smith added: "We are there for very good commercial reasons; this is a major structural change in non-food retailing which we want to be part of. We see scope for savings and rationalisation between two similar businesses."

On Friday then, Debenhams' shareholders will have to weigh up the supposed merits of this deal against those claimed by Burton, should it win. And the basic arguments in the straight Burton-Debenham battle are essentially twofold.

● Retailing style: Burton, which has been transformed under Mr Halpern's leadership from a dowdy menswear chain into a highly successful retailer of casual clothes, attacks Debenhams retailing record as extremely poor. It can, the claim goes, be radically improved by Burton, acting in concert with Habitat-Mothercare, through the remodelling of the stores as "Galleria"—a variant on the stores-within-a-store idea.

Debenhams replied that it has already looked at and rejected the Galleria idea on economic, practical and aesthetic grounds, in favour of its current expansion programme. This includes some refurbishment of existing sites, but much greater emphasis on custom-built stores on just two floors and with parking facilities to hand.

Debenhams suggests that the Galleria is just a gimmick which Burton would not introduce widely if it won. But Burton insist that it is still firmly behind the scheme. "The Galleria," said a video mailed recently to shareholders, "is not a flight of fancy. It is already successful elsewhere and we believe it can be successful for Debenhams."

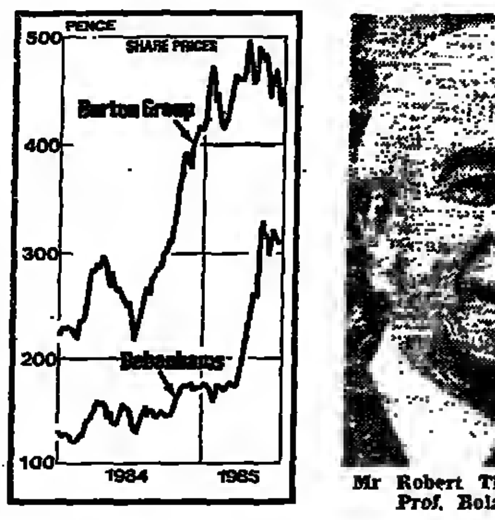
● Financial comparisons: Burton has homed in on Debenhams' past lacklustre financial record, and compared it with its own rapid growth under Mr Halpern. Debenhams replies by pointing out that over the past few years its performance has improved markedly in response to a major internal reorganisation.

Depending on the base year used, both sides are claiming superior growth. Debenhams is forecasting a 47 per cent increase in pre-tax profits to £60m for the year to January, while Burton is predicting a 38 per cent improvement to £78m for the year to August.

The Burton offer, rejected by Debenhams as totally inadequate, represents a premium of about 70 per cent over net asset value and a prospective exit p/e of 11-12.

In weighing up the merits of the bid, a major factor facing shareholders will be the effect on the Debenhams share price if Burton fails.

Burton claims it is likely to fall back sharply, but some re-rating of the shares will have to take place during the bid and yesterday's agreement with House of Fraser is likely to provide a further cushion, providing more comfort for Mr Thornton.



Mr Robert Thornton (left) chairman of Debenhams, and Prof. Roland Smith, chairman of House of Fraser.

Tiphook share offer fails to attract

By Lucy Kellaway

THE Tiphook offer for sale has met with a singularly unenthusiastic reception in the City. The application list closed yesterday leaving 84 per cent of the issue with the underwriters.

This follows an embarrassing error in the offer prospectus which stated that assets per share were 90.1p, when the correct figure was 62.5p.

An advertisement in the national press last week carried the correction and stated that as a result of the mistake the application lists would be open for an extra five days so that all applicants could confirm that they still wanted the shares.

Barclays Merchant Bank, advisors on the issue, yesterday described the outcome as "very disappointing," and blamed the poor response in part to the error.

"Tiphook does not fit the run of companies that fail to meet their subscription targets and then fall to a discount. This has not been undersubscribed on straight investment grounds" a last night.

However, of those who had applied for shares before learning of the mistake "a large number" confirmed that their applications still held.

Barclays Merchant Bank, the principal underwriter, is expected to be retained as merchan banker to Tiphook.

There was some indication in the City yesterday that Barclays would buy further shares in the market to support the price if it opens at a large discount when dealing begins next Monday, acting out of a sense of responsibility.

The bank would not say at what price it expected the shares to open, but said that it planned to keep as an investment the holdings that it will have received as lead underwriter.

Tiphook, which leases containers, had originally planned to come to market at the end of June but had been advised by Barclays to postpone the issue because of the poor state of the new issue market. The 110p offer price was slightly lower than the price originally planned.

Applications were received for 857,925 of the 5.5m shares being offered, and of these 63 were from employees who put in for a total of 45,725 shares. All of the applications will be met in full.

The failure of the Tiphook offer follows offers by Chrysalis and First Security both of which were substantially undersubscribed, while a handful of other new issues now stand below their issue price.

BCS reorganises after losses

Business Computer Systems, a micro-computer distributor based in Borehamwood, Hertfordshire, has reported a pre-tax loss of £1.36m in the year to June 30 against a profit of £502,000 last time and has passed its dividend for the year. The previous year's dividend was 1p.

The company has had a new executive chairman since April 10 in Mr Ray Newman, a former chairman of Reliance Industrial Holdings. Mr Newman said yesterday that the company had suffered from a number of problems against the background of a general slump in the micro-computer industry.

Losses might have been affected by difficulties in evaluating whether certain sales previously accounted for in 1983 should have been included in the 1984 accounts, he said.

The company also announced that Mr Tony Cunningham, the financial director, had left in May to be replaced by Mr David Thompson, who is head of finance but not a director. Other management changes are expected to be announced soon.

The company's shares fell 4p on the Unlisted Securities Market to 21p. BCS came to the market in May 1981 when its shares were placed at 85p.

Turnover in the year to June fell from £8.474m to £6.661m while distribution and marketing costs rose to £3.428m (£2.959m). Doubtful debts and other irrecoverable amounts rose to £512,000 (£117,000). There was a tax credit of £205,000 (charge of £150,000).

Mr Newman said technical problems had held up supplies of micro-computers for which orders had been won and that sales had consequently been lost. Margins on orders that were fulfilled were hit by the adverse effect on the exchange rate on supplies from the U.S.

As new hardware products were introduced it was necessary to make substantial provisions against stocks of obsolescent products, some of which related to the previous year.

There were increasing difficulties in collecting debts outstanding from previous years and the company experienced an above-average failure rate among its dealers customers.

Mr Newman said vigorous action was being taken to restore profitability. A major cost reduction programme had been embarked on; the company was to concentrate more on profitable trading than the pursuit of turnover; there would be an increased emphasis on the production and marketing of software; and the sourcing of hardware products had been improved.

Unaudited management showed that the company was now trading profitably and the current year should show a significant recovery, he said. Restoration of the dividend, however, was unlikely this year.

J. Rothschild lends $1.59m to director

AT March 31, a director of J. Rothschild Holdings had loans outstanding from an offshoot of $1.59m (£1.12m). The loans were made to Mr Merril Halpern under a contract of employment he has with an overseas subsidiary.

It was revealed in the company's accounts that under its terms he is required to make investments in companies in which an overseas capital development offshoot is also investing. The money for this is provided by loans, which are in effect interest-free, from another overseas subsidiary.

Loans outstanding at January 1 1984 were $1.52m and this rose during the 15-month accounting period to $1.59m, the highest level for the period. The loans are secured by the investments.

The accounts also reveal that compensation of £180,000 was paid to a director for loss of office.

Mr Jacob Rothschild, chairman, said in his review that the period had not been an easy one. It began with the intention of creating a major UK-based international financial services group and ended as an investment company.

Of the merger with Charterhouse and Hambro Life, Mr Rothschild said that he remained convinced the concept was valid, while accepting there would have been considerable difficulties in welding together a retail services group with a wholesale merchant banking group.

"In the event, and after lengthy deliberation, the conclusion was reached that a full merger would not on balance have been in the shareholders' interests."

However he said that the merger would have created the basis for a company capable of competing with the large financial corporations of the U.S. "It is a matter of personal regret that it did not materialise."

Crown Intl. is merging with Capital Television

BY DAVID GOODHART

THE TWO USM-quoted film and video companies Crown International Productions and Capital Television Facilities yesterday agreed in principle to merge. The shares of both companies were consequently suspended—Crown at 100p and Capital at 50p.

The merging is, in effect, a largely administrative development as the two companies have shared the same chairman, finance director, head office and computer since their formation.

However, Mr Gordon Currie, chairman of both companies, also said yesterday that negotiations over the acquisition of another major independent television company were near completion. "The profit forecast for the three companies combined is between £1m and £1.5m," he said.

Crown made pre-tax profits of £453,000 on a turnover of £750,000 for the half-year ending March 31. Capital in the half-year to December 31, 1984 made £201,000 on turnover of £740,000.

Crown, which concentrates on the making of programmes, already owns a 26 per cent stake in Capital, which specialises in technical work.

The two companies are expected to return to the USM—following the merger—in about one month's time after the completion of negotiations.

But Mr Currie said that the new company would be looking for a full listing later in the year.

Shareholders approve Ansbacher restructure

SHAREHOLDERS OF Henry Ansbacher, the merchant banking group, yesterday approved resolutions to complete the financial restructuring of the company following its recent large losses.

At the annual meeting, the composition of the board was changed to reflect the new ownership structure in which GBL/Pargesa, the Belgian financial group has become a 75 per cent shareholder after subscribing the bulk of a £35m rights issue. Eleven directors have resigned or decided not to seek re-election.

The board now consists of Mr D. LeRoy-Lewis, the chairman, Mr Richard Fenhalls and Mr Charles Longbottom, the chairmen of the operating divisions, Lord Spens, the managing director of the bank, and four representatives of GBL/Pargesa.

One shareholder questioned the board about the £31m losses and the discovery that previous management had made an erroneous dividend pay-out last year. After investigating the matter, the new management has decided not to take any action.

RHM extends U.S. interests in £8m deal

By David Goodhart

Ranks Hovis McDougall has further extended its interests in the U.S. by the acquisition of Theresa Friedman and Sons, a food processing company in Philadelphia, for £7.04m ($10m).

RHM said yesterday that Theresa Friedman is expected to earn a profit before tax of over £1.05m ($1.5m) on sales of £17.6m ($25m).

The company's operations will be co-ordinated with that of another much larger RHM company in the U.S., Red Wing, based in New York state.

Theresa Friedman operates a modern food processing plant producing a range of jams and jellies for the retail trade and bulk fruit products for yoghurt manufacturers.

RHM's share price fell 1p yesterday to close at 145p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aaronson Bros ......int	1.2†	Oct 7	1.2	—	4.2
J. Jarvis & Sons	10.3	—	10.3	17.5	17.5
Macarthys	6	Oct 1	5.5	8.2	7.5
National Westm'ster int	10†	Aug 31	9.3*	—	21.96*
New Court	1.65‡	Oct 1	1.5	1.65	1.5
Temple Bar ....int	2	Sept 30	1.65	—	4.65
Stavert Zigomala	8.12	—	7.28	8.12	7.28

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for script issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

First Interstate to move London office

First Insterstate Bank of California, the eighth largest U.S. bank, has agreed terms to occupy the 47,000 sq ft of lettable office space included in the redeveloped Civil Service Store on London's Strand.

The annual rent is just under £1m a year, equating to about £21 a sq ft. The property was severely damaged by fire during redevelopment in 1982 and is just being completed—in a funding partnership with the Royal Bank of Scotland—by Country and New Town Properties.

First Interstate will be vacating nearby premises and intends to rename the property First Insterstate House.

GRA GROUP, greyhound racing organiser, has achieved pre-tax profits of £54,000 for the six months to April 30 1985, compared with losses of £58,000. Turnover was lower at £4.19m (£5.28m). Interest receivable was £26,000, against £120,000 payable. Net earnings per 5p share amounted to 0.06p (0.07p) before extraordinary items, and 0.24p (0.17p) after.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—CSC Investment Trust, Consolidated Tern Investment, T. Cowie, Martin Ford, Essex Transport and Trading.

Finals:—AIM Group, Caledonian Associated Cinemas, Havelock Europa, Mercantile House, Gould S. Smith, Sungei Besi Mines Malaysia, Trent Holdings.

FUTURE DATES

Interims:—
Griqualand Exploration & Fince. ...... Aug 7
Heywood Williams .... Aug 8
Securicor .... Aug 7
Security Services .... Aug 7
Wagon Finance .... Aug 16

Finals:—
Access Satellite International ...... Aug 16
Arlen Electrical .... Aug 2
Firth (G. M.) .... Aug 8
Smith Whitworth .... Aug 5
Stone International .... Aug 15

NatWest's 20% rise to £354m disappoints the City

National Westminster Bank yesterday opened 1985's banking season with a 20 par cent risa in interim profits bnt this disappointed the City which had been looking for something in the region of 36 per cent.

The announcement — taxable profits rose from £295m to £354m—brougbt abont some heavy initial share markdowns for both NatWest and the other three main clearers, Barclays, Midland and Lloyds.

NatWest's shares fell to 648p before pulling back to 665p, down 25p, at the close while the ether three banks finished the day showing small falls.

A large part of the shortfall on market estimates was due to the impsct of exchange rate differences, said NatWest, pointing out that if the group had worked on December exchange rates then profits would have been £31m higher.

Despite the market's disappointment, Mr Philip Wilkinson, the chief executive, sounded an optimistic note for second balf prospects. "The general outlook for the rest of the year looks quite encouraging. So prospects for sound business growth at bome and abroad during 1985 still look favourable," he said. The interim dividend is being raised to 10p, against an adjusted 9.3p.

His confidence was derived from the probability of further gradual declines in UK interest rates and fairly stable rates in the U.S.

Average base rate was almost four percentaga points higher during the six months to end-Juns compared with the same period last year. "But with those levels of interest rates during the balf year, we also saw higher cost of funds and narrower margins," said Lord Boardman, the chairman.

However, he stresed that despite this, NatWest achieved a 7 per cent rise to £891m in net interest income. Commission was up 12 per cent to £354m and overall income increased by 10 per cent to £1.45bn.

Bad debt provisions, whicb have risen sharply for the big four clearers over recent years, showed a decline of 6 per cent to £151m, mainly reflecting a £9m fall to £58m in the domestic account and a £8m fall in the general account.

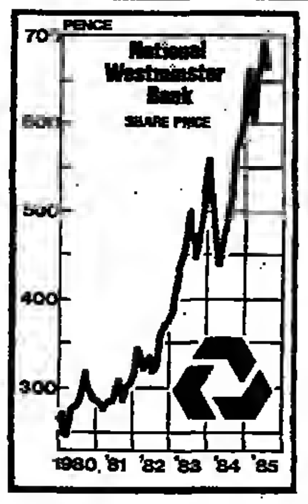
"There are some encouraging signs in the lower charge for domestic specific provisions, but overall we maintain our ceutious view of trading and world conditions," the chairman said.

He reiterated that "as a result of our past lending policy group outstandings to countries experiencing liquidity problems are mnch less than most of our major competitors."

The cumulative provision for the group at £934m represents 2.2 per cent of all amounts due from customers. This compares with 2.1 per cent at the end of 1984.

NatWest's three operating divisions all earned higher

Mr Philip Wilkinson, the chief executive



profits for the first half of 1985. while domestic banking achieved a £16m increase to £199m its share of total profits fell from 62 per cent to 56 per eent; international bsnking notched up s £39m rise to £109m while related banking services rose by £4m to £46m.

Tax amounted to £177m, against £165m, leaving net profits of £177m (£130m) equal to earnings per share of 48p (41p); Lord Boardman said "increased competition, tighter margins and higher cost of funds were offset by good cost control throughout the half-year. Current sccount balances in the the parent bank have grown by 7 per cent when compared with the corresponding period last year but the trend towards interest hearing deposits has continued."

High interest special reserve accounts had heen particularly sncceesful. be said, with balances now standing at more than £1bn.

And international banking has seen "steady growth in commitments to our key target commercial customers."

Natiooal Westminster USA continued lts strong performance with after-tax income for the half-year of $27m, an increase of 69 per cent over the first half of 1984.

Related Banking Services' increased profits included a good performance from the Lombard Group.

In UK retail banking, Mr Wilkinson said thst NatWest was moving abead in a number of areas and was successfully confronting competitive cballenges in Saturdsy banking, home loans busines and in the small busines sector.

"For the larger corporste customers in the UK, we are pushiog ahead with the creation of 150 specialist corporate branches in the major business centres around the country."

NatWest is continuing to invest in technology to increase efficiency, develop new services and prepare for electronic funds transfer at the point of sale.

On Monday the bank announced phase two of its national communications network. "This major £60m investment will give us one of the biggest private telecommunications networks in Britain," be said yesterday and added "technology and worldwide communications will also play a big part in our overseas expansion."

In Australia, plans are at an advanced stage to set up corporate banking and merchant banking operations to complement existing financiel business.

Last week, NatWest formally signed an agreement to form a new joint venture bank in Spain under the name of Banco NatWest March.

NatWest's shareholders funds at Jnna 30 stood at £2.79bn, against £2.65bn six months previous. The group gearing ratio—free capital to public liabilities—at June 30 was 4.8 per cent.

Lord Boardman stressed that the balance sheet does not yet reflect "our recent successful cspital Issues. That is the $1bn primsry cspital floating rete note issue announced in May and the SwFr 300m bond issue announced in June. Taking this new capital into account, the adjusted end Jnne 1985 gearing ratio is more thsn 6 per cent."

He added: "Our capital position provides the means for expension in a number of strategically important areas for the Group."

Since the end of December there has been e reduction of around £1bn in total assets expressed in sterling terms. "Exchange rete movements particularly, of course sterling against the U.S. dollar, bave had a considerable impect. Without this the balance sheet would have shown a well controlled growth of around 4 per cent."

See Lex

Hanson agrees £65m sale of U.S. offshoot

BY ANDREW ARENDS

Hanson Trust, has agreed the $92.5m (£65m) sale of Interstate United Corporation, its U.S.-based food service management group, to Transworld Corporation, the hotels and food services company from which Trans World Airlines was spun off last year.

Sir Gordon White, chairman of Hanson Industries, the group's U.S. subsidiary, said yesterday that the proceeds of the sale "will add to our already substantial cash resources available for other developments, including new acquisitions."

Earlier this month Hanson Trust completed a controverslal £519m rights issue, the largest ever by a UK company wbolly in the private sector. Lord Hanson, the group's chairman said, recently that his ideal target would be a broadly based U.S. group, similar to U.S. Indsutries, which it purchased last year.

In hte year ended September 1984 Interstate made pre-tax profits of $10.7m (£7.5m) on turoover of $395.8m (£278m). It has net assets of $30m (£21m).

When Hanson Trust first Interstate in 1977, Sir Gordon added, it was making pre-tax profits of around $2.5m (£1.75m) on a slightly lower turoover.

He said that the food service industry in the U.S. was becoming a higbly competitive market and it had been a case of Hanson either getting bigger or getting out altogether, and it had chosen the latter.

Han son, he said, was looking at two or three U.S. companies at hte moment, more broadly in line with its ideal takeover target.

Completition of the sale is conditional on the deal satisfying U.S. regulatory requirements. Yesterday Hanson Trust shares closed 3p higher at 193p.

Ocean Wilsons

Ocean Wilsons (Holdings). Investment holding company, has lifted its pre-tax profits by 73 per cent, from £2.72m to £4.72m for 1984, with a strong second half adding £3.3m.

Practically all of the company's turnover of £47.64m (£37.44m) arises in Brazil, where the group owns 39 tugs.

Its net asset value per 20p share stood st 83.58p at end-December compared with 69.54p a year earlier.

The directors are recommending an unchanged 2.2p final dividend to maintain the total for the year at 2.95p. Stated net earnings are more than doubled to 8.03p (3.68p).

UK COMPANY NEWS

Finance costs cut Gallaher to £54m

Gallaher has reported record turnover and trading profits in the six months to the end of June 1985. However, increased interest charges left the pre-tax figure down by 3 per cent.

Group turnover rose from £1.36bn to £1.49bn, with tobacco sales making the major contribution at £1.08bn (£999.4m). Trading profits increased by 8 per cent £65.9m (£60.8m), but interest more than doubled to £12m (£5.4m) resulting in pre-tax profits of £53.9m (£55.4m).

Mr S. G. Cameron, the chairman, says that tobacco had a strong first quarter helped by trade stocking before the Budget and the second quarter showed the expected sharp drop. Export sales were well up as were the results from overseas subsidiaires.

He adds that the trading results for the non-tobacco sector were up by 28 per cent from £16.8m to £20.7m. In this the houseware division saw results improve to £3.5m from £500,000, which related to only seven months of 1984.

New Court down at £1.6m but sees rise in Avant production

New Court Natural Resources, the USM listed oil and gas investment company, reports a profit slip of £161,000 to £1.6m in the year to March 31, 1985 on turnover ahead from £4.18m to £4.6m.

Mr David Hayllar, the chairman, says that the Avant waterflood development in the U.S., which is the group's major activity, is proceeding according to plan. The injection programme commenced in October 1983 resulted in increased oil production towards the end of 1984, and the trend has continued this year.

He adds that since positive response to the injection programme was achieved during the year under review, operating costs — which together with administrative expenses came to £2.04m (£1.8m) — reflect only those costs which relate to the year's production, and £345,000 has therefore been capitalised.

The chairman adds that three new producing wells have recently been completed in the western part of the Avant lease with encouraging results which indicate there may be significant primary production available there.

Avant production in the first quarter of the current year shows an increase, though oil prices have been slightly lower.

The single dividend for the year is raised from 1.5p net per share to 1.65p, with stated earnings per share shown down from 4.08p to 3.76p. The dividend will account for £550,000 against £500,000.

Depreciation and depletion costs accounted for £1.22m against £944,000, to leave group operating profit at £1.35m against £1.43m. Exchange gains added less at £74,000 (£77,000), as did interest income at £178,000 (£249,000).

After a tax charge of £345,000 (£398,000) and an extraordinary item of £63,000 (£150,000), the profit for the financial year came out at £1.19m (£1.21m), of which £639,000 (£860,000) was retained.

• comment

Hope floods eternal at New Court Natural Resources and these results have been flattered by the capitalising £345,000 of costs for expert assistance to maximise returns from Avant. While the expenditure may have been once off, it was hardly on capital. In fact the evidence suggests that to get the most out of Avant, technical fine tuning (all of it from outside the company) will have to be a regular feature although of course the amounts will vary. Faced with long lead times and high operating costs, sustaining the 1984 result was going to be hard even with the assistance of a £½m exchange gain on translation. Avant is now on 420 barrels a day production, 100 barrels more than at the same time last year when the field accounted for almost three-quarters of group oil production. Exploration is being virtually abandoned given the current uncertainties over oil prices. Costs at Avant are said by the company to be as high as $18 a barrel (including depletion, operating costs and overheads) giving some indication of the company's vulnerability to downward price movements. At 30p the shares are at half the recent peak and the profits outlook for this year is uncertain. The dividend increase will be welcome even if cover is only a little more than twice earnings. Nevertheless the historic yield of 7.9 per cent and p/e of 8 are smack on the sector's average.

North Sea oil stake puts Pict Petroleum in profit

THE BUYING of a 0.5 per cent interest in the Claymore Field in the North Sea enabled Pict Petroleum to report its first profits on a greatly-increased turnover in the six months to the end of April 1985.

On turnover of £1.94m, compared with £29,600 for the same period last year pre-tax profit was £426,000 against a loss of £177,800.

Directors say that the Edinburgh-based oil and gas explorer has achieved a balance between income assessable for petroleum revenue tax and exploration and appraisal expenditure which can be offset against that tax. There is therefore no tax charge leaving earnings per £1 share at 5.03p

Profit is stated after writing off exploration spending of £168,000 (£138,000).

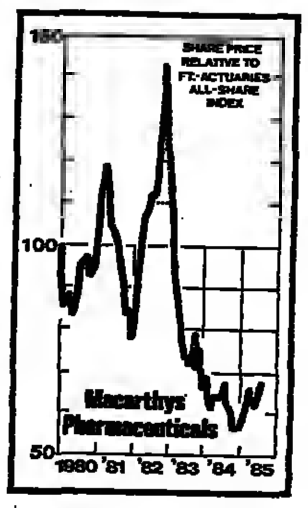
The comparative figures have been adjusted to reflect the change in the accounting policies for exploration expenditure.

In the six months the company, which is managed by Noble Grossart, has been involved in a number of areas of progress.

Pict, which is quoted on the USM, has decided to change its year end to June 30 from October 31. It will be preparing accounts for the eight months to the end of June.

UK COMPANIES

Macarthys takes action to stem profit downturn



ALONG WITH its results for the 1984-85 year, which as expected show a downturn at the pre-tax level, Macarthys Pharmaceuticals yesterday unveiled details of a restructuring plan which it hopes will ensure its future profitability.

The strategic plan, which is now being implemented and is the result of a full group appraisal, includes a reduction of the number of depots in the pharmaceutical distribution division, and the disposal of two smaller businesses "where returns have proved inadequate."

The total cost of the group reorganisation will be around £1.8m after tax, and has resulted in an extraordinary charge amounting to £1.2m, after deferred tax credits, in the accounts for the period to April 30, 1985. This leaves the group with a retained deficit of £151,000 (profit £2.82m).

Despite the extraordinary costs, and the profit downturn of £365,000 to £4.06m—below the market consensus—the final dividend is lifted from 5.5p to 6p for a total of 8.2p (7.5p). The directors point out that this is covered twice by available profits, and reflects their confidence in the group's future following the restructuring. Earnings per 20p share slipped from 24.1p to 18.2p.

They also believe that there is now an imbalance between their interim and final payment, and propose in the current year to increase the interim to not less than 3p per share.

The pharmaceutical manufacturing, surgical and retailing divisions all experienced declines in trading profits, with figures of £508,000 (£678,000), £734,000 (£937,000) and £494,000 (£689,000) respectively.

Pharmaceutical distribution, which has in past years been hit by retailers' destocking, improved to £2.7m (£2.5m), but this is still only at the level of profit reached in 1982. The veterinary side rose slightly to £693,000 (£661,000).

● comment

There is no disguising the fact that Macarthy's Pharmaceuticals' results are dismal. The group said at the interim that it did not expect the second half to produce much of an increase over the first half's £2.12m, but few expected figures quite this poor. Much of the problem lies in the fact that Macarthy's core business of drug wholesaling is is virtually a depressed industry: government intervention over pricing has cut margins to the bone in what is in any case a highly competitive market. The planned reduction in the number of distribution depots should raise margins this year, but only at the cost of cutting sales. Any profits growth is going to have to come from the group's peripheral businesses. Retailing should benefit from an influx of higher-margin goods into the product mix at the Savory and Moore shops, but these are only ever going to be picking up crumbs from the Boots and Superdrug tables. The drug-making, surgical and veterinary divisions should see modest upturns as a result of the restructuring plan. Nevertheless this year is unlikely to see the group leave the profits plateau it has been on since 1981 and it would take an optimist to expect much over £4.5m. At that figure the shares, up 3p at 186p yesterday, are on a prospective p/e ratio of 9 after a 40 per cent tax charge—a figure reflecting bid speculation rather than the underlying trading performance

UK COMPANY NEWS

CCA Galleries joining USM

By Lucy Kellaway

CCA Galeries, formerly Christie's Contemporary Art, is joiniog the USM with a market capitalisation of £3.3m.

De Zoete and Bevan are placing 1.4m shares representing 35 per cent of the company at 80p each. Of these Christies loternatiooal, the fioe art euctioneers, will be selling 432,000 shares to reduce lts holding from 55 per ceot to 35 per cent. CCA's directors are selling a further 290,000 shares, aod the remaining 720,000 will be raising £420,000 for the company

CCA commissions and deals lo limited editions of signed priots The company was started 13 years ago to sell prints through mail order.

It quickly expanded loto retail and wholesale, and has galleries in Loodon, New York and Tokyo and sells through dealers worldwide. Last year overseas sales mede up 46 per cent of the group total.

About half of turnover comes from eommissiooed work from relatively unknown artists, whose priots range in price from £30 to £100, and the other half from masterprints.

Turnover and profits have increased in each o fthe past 13 years with the exception of 1982, when the group chose a year of slump in the U.S. art market to open a gallery there. The directors forecast profits thia year will oot be less thao £410,000 (£333,000).

At the placing price the shares are on a p/e of 12 after a 40 per ceot tax charge. Assuming an annual divideod of 2.35p the yield is 4.2 per cent.

Dealings start on August 5.

British Alcan is pessimistic after 13% drop midway

PROFITS OF British Alcan Aluminium dropped 13 per ceot in the first half of 1985 to £22.9m before tax.

The leading British integrated aluminium producer blamed higher operatiog costs and lower selling prices on some products for the decline, which brought an end to a strong recovery by the group from beavy losses in 1981 and 1982.

British Alcan, which is wbolly owned by the Canadian aluminium group, also said that it did not foresee mucb, if any, improvement for the rest of the year.

Turnover was flat at £321.9m (£322.5m) and the company said that demand had been maintained at a volume similar to thet of 1984. But lower prices, particularly on rolled product and ingot sales, and rising wage and energy costs bad hurt profits.

To some extent, the eoergy cost increases were exceptional. In the early part of the year, the group's power station in Northumberland was closed because of the miners' strike, obliging it to buy power from the Ceotral Electricity Generating Board.

Operating profit was down 12 per ceot to £33.7m. The group repaid £17m of its £134.6m in long-term debt in the first balf plus £4m of £56m subordinated debt from its parent company. But interest charges fell by only £0.9m tn £10.8m, reflecting higber rates than in the same period last year.

The group has also begun the £2m half-yearly instalments toward reimbursement of the £11.8m in preference shares.

Attributable profit in the first half was £20.8m compared with £24.8m lo the first half of 1984.

Aaronson over £2m at halfway and confident for year

FOR THE half year to end-March 1985 Aaronson Bros, chipboard manufacturer, has lifted pre-tax profits by 15 per cent from £1.84m to £2.12m, and the directors are confident of the group's future progress.

They are paying an unchanged 1.2p interim dividend on capital increased by the one-for-four rights issue in April. Net earnings per 10p share are shown ahead from 5.09p to 5.19p.

Turnover, excluding its subsidiary Union Veneers which was reorganised in April 1985, increased by over 10 per cent, and the directors add that it has continued to improve.

The current high interest rates and the strength of sterling especially against European currencies, is affecting profitability, although the second half will benefit from the rights issue.

Tax increased from £402,000 to £640,000, and minorities took £6,000 (credit £2,000). There was a £564,000 (£69,000) extraordinary charge arising from the reorganisation of Union Veneers.

● **comment**

A 15 per cent increase in profit was exactly what the City had been expecting from Aaronson. Margins edged up during the first half partly as a result of efforts to enhance efficiency, but also due to last year's small increase in prices. For the rest of this year everything depends on the strength of sterling, which determines how competitive are the European chipboard imports with which Aaronson competes. If the pound maintains its new found strength, £4.4m would be a reasonable guess for the full year. The tax rate, at about 28 per cent, will be higher than last year, earlier tax losses are exhausted, and as the company comes to the end of its huge capital expenditure project. Meanwbile, the rights issue has brought group borrowings down to a more manageable £8.5m, and the extension to the existing product range should start boosting sales by the eod of this year. A prospective p/e ratio of about 8.5 makes the shares down 7p to 98p look like a good loog term bet for anyone who feels that sterling is not at the bottom of a steep incline.

Control Techniques share placing via institutions

BY STEFAN WAGSTYL

Cootrol Techniques, a manufacturer of electronic drives for controlliog electric motors, is the latest new issue to brave the stock market's current antipathy towards high technology groups.

The company is coming to the stock market by placing some of its shares with City institutions after rejecting the alternative route of a public offer for sale, which might have put a higher value oo the gronp.

Mr Trevor Wheatley, chairman, said the company had opted for a placing because of the turmoil in the stock market, particularly in the high technology sector.

Broker Rowe and Pitman has placed 2.52m shares in the company, or 25.2 per cent of the equity as enlarged by the issue. Just over 1m shares are new, sold to raise £1.43m to strengthen the group's capital and to help expansion, particularly in export markets.

The gronp will remain firmly under the control of Mr Wheatley and two fellow directors, Mr Ken Briggs and Mr Kevin Curran, who together founded Control Techniques in 1973. The three will speak for oearly 69 per ceot of the equity.

The company, hased in Newport, Powys, in South Wales, makes electronic variable speed drives for controlling electric motors in a wide range of industrial processes, from steelmaking to textiles. The drives have power ratings ranging from 0.55kw to 1,000 kw.

The group's profits have grown from £59,000 pre-tax oo turnover of £1m in 1980, to £498,000 pre-tax on turnover of £3.7m in the year to September 1984.

Growth has been particularly rapid in the last two years, with margins improving as the company's sales increased. In the current year, Cootrol Techniqoes made £356,000 pre-tax in the first six months on turnover of £2.697m and is forecastiog not less than £1m for the year to September, or earnings per share of 8.21p on a 28 per cent tax charge.

At the placing price of 115p, the shares are valued at 14 times forecast earnings.

The group is also forecasting a 1.8p dividend for the year. The directors indicate that had the company beeo listed througbout the year, the dividend would have been 2.7p, giving e yield at the placing price of 3.35 per cent.

COMPANY NEWS IN BRIEF

HIGHGATE & JOB Group, marine aod animal oil refiner and protein meal producer, made a taxable profit of £79,000, against £34,000, for the year to end-March 1985. Turnover was down from £6.43m to £5.14m. There is still no dividend.

ADAMS AND GIBBON'S board says it has noted the announcement of the unsolicited offers by BSG International. The board of A & G is consulting with its advisors, and will inform shareholders of its detailed views in due course. The board also notes that the cash alternative for each A & G ordinary share is only 10p more than the Keep Trust unsuccessful offer wbich lapsed in June. In the meantime, shareholders are advised to take no action.

COSALT, the Grimsby-based ships chandlery to caravan groop has anoouoced that it has acquired the goodwill and stock of Oddy Hydraulics. The business of Oddy has, to date, been in the field of manufacturing hydraulic sensors and related hydraulic design services to such organisations as the NCB, CEGB, and to the gas, chemical and oil industries, together with a number of public utilities. The existiog directors and staff are joining Cosalt and will continue to provide the services of the company to existiog customers.

GKN is considering selling Ionic Plating Co to its management. Ionic will not now be included in the sale of certain GKN subsidiaries to F. H. Tomkins as previously announced, included in the sale of certain GKN subsidiaries to F. H. Tomkins as previously announced.

THE interest rate for this weeks issue of local authority bonds is 10¾ per cent, down ¼ of a percentage point from last week and compares with 12 per cent a year ago. The boods are issued at par and are redeemable on August 6 1986.

STAVART ZIGOMALA, furniture wholesaler and investment company, reports net profits of £34,774, against £34,739, for the year to end-March, 1985. The result was struck after depreciation and amounts written-off of £7,089 (£4,734) and tax of £14,447 (£12,749). The single final dividend is being raised to 8.12p (7.28p).

TEMPLE BAR Investment Trust's net asset value per 25p share stood at 143.89p at the eod of the six mooths to June 30, 1985. This compares with 136.82p six months previous. Attributable profits for the period rose from £1.77m to £2.02m. The interim dividend is being raised to 2p (1.85p) to reduce disparity.

BBA's agreed offer for Synterials has become unconditional as to acceptances.

هكذا من الأصل

FT COMMERCIAL LAW REPORT

Charterers not liable for delay at sea-line, says Appeal Court

THE NOTOS

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Parker and Lord Justice Balcombe): July 29, 1985

WHERE A charterparty provides that the charterer shall order the vessel to a sea-line for delivery of cargo, but that he shall not be liable for delay for any cause whatsoever over which he has no control, his failure to order her to the only sea-line at port of discharge does not deprive him of protection from liability for delay if the vessel is prevented by swell from getting into or remaining in berth.

The Court of Appeal so held when dismissing an appeal by Maritime Corporation of Monrovia, owners of the Notos, from Mr Justice Leggatt's decision on an appeal from arbitrators, that the charterers, Société Anonyme Marocaine de L'Industria du Raffinage, were not liable for two periods of delay in discharging cargo.

Before the arbitrators demurrage was claimed by the owners for three periods of delay, A, B and C. They awarded that the charterers were not liehle for demurrage for period A; that they were liable for full demurrage for period B; and that they were liable for half demurrage for period C.

Mr Justice Leggatt upheld the award for periods A and B, but held there was no liability at all for period C. The present appeal was from his decision relating to periods A and C.

Clause 1(h) of the STB VOY form of charterparty provides: "The vessel shall . . . load e cargo . . . and shall then proceed to a submarine line as ordered by charterer in one or more ports or places specified . . . and there deliver cargo."

Clause 6: "Upon arrival . . . the Master shall give the charterers notice . . . that the vessel is ready to . . . discharge . . . and laytime or . . . time on demurrage shall commence upon the expiratioo of six hours after receipt of such notice. . . . However, where delay is caused to vessel getting into berth after giving notice of readiness for any reason whatsoever over which charterer has no control such delay shall not count as laytime or as tima on demurrage."

Clause 8: "Charterer shall pay demurrage per running hour. . . . If bowever demurrage shall be incurred at ports of . . . discharge or delays by reason of . . . storm or . . . lockout . . . such demnrrage shall be calculated at one-half rate specified. . . . Laytime shall not run or . . . demurrage shall not accrue for any delay caused by strike, lockont . . . or any other cause of whatsoever nature or kind over which the charterer has no control."

* * *

SIR JOHN DONALDSON, Master of the Rolls, said that a dispute arose between owners and charterers of the Notos concerning the latter's liability to demurrage consequent on delay in discharging a cargo of crude oil at Mohammedia in 1982.

The charter was in the STB VOY form and named the discharge port as "one safe sea-line Mohammedia."

The dispute concerned three periods of delay—A, B and C. The present appeal was concerned with periods A and C. Period A began six hours after the giving of notice of readiness to discharge. At that time the swell was such that no vessel could use the only submarine line or "sea-line."

The Al Idrissi, which had been using the eea-line until 48 hours earlier, was at anchor awaiting weather conditions which would permit her to returo to it. That happened at the end of the period. Throughout the period the Notos was at anchor awaiting her turn at the sea-line, to follow that of the Al Idrissi.

Mr Phillips, for the owners, submitted that the charterers could not rely on the last sentence of clause 6 of the charterparty in answer to a claim that lay-time ran or demurrage accrued throughont the period for three reasons:

(1) The clause only applied to events which prevented a vessel getting into berth after the charterer had fulfilled his contractual ohligations to nominate a discharging sea-line. There was no evidence that the charterers in tha present case ever made such a nomination.

The submission was not accepted. The basis of the argument was the House of Lords decisioo in the *Laura Prima [1982] 1 Lloyds Rep 1, 6* where Lord Roskill said that "berth" in the last sentence of clause 6 meant the berth designated and procured hy charterers pursuant to clause 9.

Although clause 6 in the Notos charter was almost identical to clause 6 in the Laura Prima charter, clause 9 in the latter was materially different from any Notos clause, and in particular from clause 1(b).

In the Notos charter the obligation was to nominate a discbarging line upon or before the vessel's arrival (clause 1(b)). In the Laura Prima charter the obligation was to "designate and procure" a berth "reachahle on arrival."

Although the Laura Prima charterers did nominate and procure a berth, it was not "reachable on arrival."

Charterparties were commercial contracts and fell to be construed as such. The obligation under clause 1(h) to nominate a "anbmarine line" was otiose or fulfilled wbere the vessel was required to go to a port which only had one such line.

Even if failure to take the unnecessary step of nominating was a breacb of 1(b), "berth" in the last sentence of clause 6 could only refer to that sea-line.

The Laura Prima decision was distinguishable because there was no "berth" within the meaning of that sentenee. Although there were a number of herths, none was "reachable on arrival."

(2) The swell could not be said to have delayed the vessel from getting into berth aince, in the ahsence of swell, the sea-line would bave been occupled by the Al Idrissi.

That suhmission would be accepted so far as it went, but it did not go very far. The Al Idrissi needed X bours on the sea-line to complete discbarge, and to that extent Notos was delayed hy congestion. But Al Idrissi went back to the sea-lina in period B and while she was there demurrage accrued.

(3) As the charterers had chosen to own and control a sea-line which was naturally subject to swell, the effects of that swell were not beyond their control.

That argument was rejected. If the sea-line was "one safa sea-line Mohammedia" the charterers were entitled to require tha vessel to discharge there and, since they could not control the effects of the swell, clause 6 applied.

Mr Justice Leggatt was right to hold that no demurrage was payable in respect of period A.

Period C was e period during which the Notos had to leave the sea-line because of the swell and the charterers relied on clause 8.

Mr Phillips's argument that the charterers were not entitled to claim that the effects of the swell were beyond their control, in that they owned the sea-line, was again rejected.

His second argument was based on the very curious nature of the second and third sentences of clause 8.

The second sentence enumerated a series of perils which could create delay in loading or discharging, and provided that if they did and if the vessel was on demurrage, demurrage should be calculated at half rate.

None of those perils was expressly made subject to a condition that their occnrrence should be something over which the charterers had no control. "Storm" must be in that category, and "lock out . . . in or about the plant of the charterers" could almost never be.

The third sentence by contrast, applied both to lay-time and demurrage, and provided that time should not count for either purpose during delay "caused by strike, lockout . . . or any other cause of whatsoever nature . . . over which the charterer has no control."

Mr Phillips submitted it would be absurd if a storm could create e half-rate demurrage situation, wbereas the lesser peril of swell suspended all demurrage. He said the third sentence should he construed as referring only to delay caused by failures on the part of the vessel.

While it was accepted that, so far as possible, the clause must be given a sensible construction, the suggested restricted construction was impossible in the presence of "whatsoever nature or kind."

Delay hy storm would always fall within the third sentence, and its inclusion in the second eentence was merely another example of the shipping community's regrettable habit of adding sentences to charters without considering what, if any, modification should be made to the rest of the charter.

Clause 8 applied and oo demurrage accrued. The appeal should be dismissed.

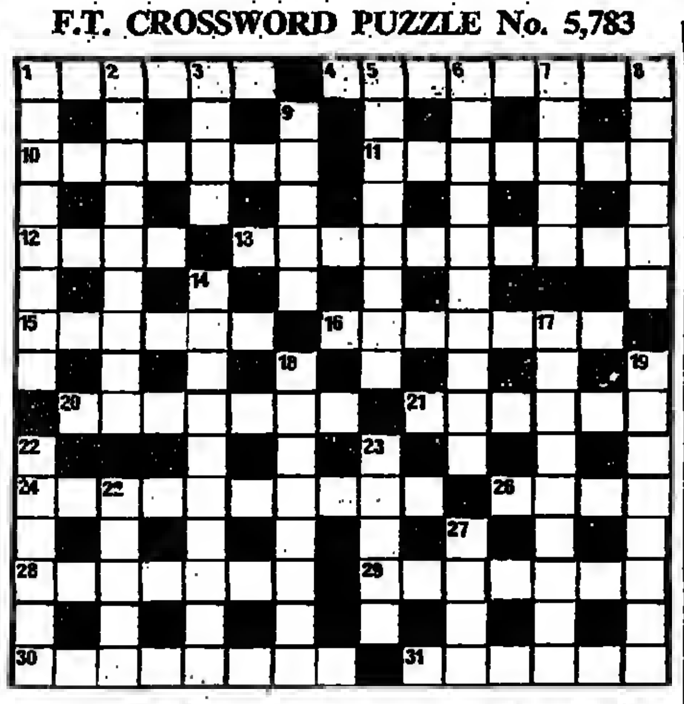
Lord Justice Parker and Lord Justice Balcombe agreed.

For the owners: Nicholas Phillips QC and Jonathan Hirst (Holman Fenwick & Willan).

For the charterers: Anthony Clarke QC and Stephen Tomlinson (Knocker & Foskett, Sevenoaks).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,783



ACROSS

1 Get ready for the spring (6)
4 Glasses for those used to having e nip (5-3)
10 Lover gives Bihlical character away (7)
11 Behave oneself, or have a romp around in bed (7)
12 Anxious to show how cutting you can be? (4)
13 The old bone-shaker is a strangely-loved piece (10)
15 Saucy, if horsy, some might call her e dish (6)
16 A fabric in dispute. (2, 5)
20 Forward come money (7)
21 He knows how to carry drink (6)
24 Quirks of chap writing about the return of a charming woman (10)
26 Between-maid newly appointed (4)
28 It will be a poor match with such contestants (7)
29 One glih misrepresentation is base (7)
30 One who tries to be a writer? (8)
31 A perfume on the np-grade (6)

DOWN

1 Nuts go well with cheese (8)
2 Such a discussion gives opportunity for falling out (4-5)
3 Thunderous applause? (4)
5 Rndimentary hat I once replaced (8)
6 The percentage of officers (10)
7 Ring in the nose as a halter (5)
8 Music maker's last letter takes it to her (6)
9 He doesn't do much to earn his reputation (5)
14 Property tax will keep the gamekeeper husy (6, 4)
17 Aunt Mabel even upset is no shrew (9)
18 Heroic Greek units holding an elevated position (8)
19 Incline to wither in general (8)
22 Umpire may be corrupted (6)
23 There's scope for a doctor with sex-appeal (5)
25 The more of them one has, the more one wants (5)
27 We hear it (4)

Solution to Puzzle No. 5,782

CONTRACTS

£27m redevelopment of Barkers store

LAING MANAGEMENT contracting has been selected to manage a £27.5m refurbishment of Barkers, the High Street, Kensington, store. Project Management International, ecting as project managers for House of Fraser, awarded the contract to Laings. The project will provide 225,000 sq ft of office space, e new compact store and shopping of 200,000 sq ft. Car parking is provided for 100 cars.

Main feature of the building will be the creation of a large atrium topped hy e glazed harrel vaulted roof, and reached hy e concourse from Derry Street. The facades of the huilding are listed and will be refurbished.

The programme calls for the creation of a temporary store in the western balf of the building to parmit the development of the new compact Barkers store which is scheduled to open in time for the Christmas 1986 shopping period. Trading will continue throughout the development. Some 70,000 sq ft of office space will be available from the antumn of 1986 with 10,000 sq ft in the west building completing the development at the end of 1987.

*

CARBONHALL ENGINEERING, Stonehaven, Scotland, has been awarded a £2m order by Marathon Oil UK for design and fabrication of temporary accommodation units for Marathon's Brae B platform currently under development for tha UK sector of the North Sea. Construction is acheduled to commence shortly on the four-storey complex, which will provide living accommodation and offices for 228 personnel who will be employed on the platform during the book-up phase of the project.

*

A Hampshire company has secured a £450,000 contract to supply specially-adapted tropical ambulances to the Hong Kong Government. WADHAM STRINGER COACHBUILDERS at Waterlooville is building 29 ambulances which will be used by the Hong Kong fire services. The contract was organised through Crown Agents.

*

The Royal Brunei Armed Forces bas placed an order worth about £500,000 for shiphorne anti-aircraft gun training systems produced hy the electro-optics department of FERRANTI DEFENCE SYSTEMS, Edinburgh. The order covers four training aids, three of which will ha installed on board fast patrol hoats armed with 30mm twin-barrelled anti-aircraft guns. The fourth set will be used for shore-based training. The training aid comprises a display unit and an input video control unit in a control room. The display unit is mounted on the gun's sight. A simple adapter injects a simulated target into the sightline of the gunsight. The instructor monitors the gunner's tracking performance hy video. The control unit can increase the degree of difficulty by varying target details, such as approach angle, beight and speed.

Ferranti Metrology Systems has received an order worth £500,000 to supply three computerised inspection machines to the Daewoo Motor Company of Korea. Delivery of all three machines and the training of Daewoo personnel will be completed hy February 1986. The order covers a Maxicheck Co-ordinate Measuring Machine (CMM), two of the madium-range Merlin CMMs and a comprehensive range of software for profiling, gear checking and statistics.

*

Following trials of a custom-built computer-based test system from AUTOSENSE SYSTEMS, Hoover has ordered more than 30 systems worth over £500,000. They will be used to test Hoover's "Electron" range of microprocessor-controlled automatic washing machines at the company's main manufacturing plant at Merthyr Tydfil.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)

Perpetual Unit Trust Mngmt. (a)

Prolific Unit Trusts

Providence Capital Fd. Mgrs. Ltd.

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)

Quilter Management Co. Ltd.

Reed Stenhouse Inv Services Ltd

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

N.M. Rothschild Asset Management

Rowan Unit Trust Mngt. (a)

Royal Life Fd. Mgmt. Ltd.

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd.

SKG Management Limited

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Equitable Fund Mgrs. Ltd.

Scottish Life Investments

Scottish Mutual Investment Managers Ltd.

Scottish Provident Inv. Mgt. Ltd.

Scottish Unit Managers

Scottish Widows' Fund Management

Standard Life Trust Mngt. Ltd.

Stewart Ivory Unit Trust Mgrs Ltd.(a)

Sun Alliance Fund Management Ltd.

Sun Life Trust Mngt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

TSB Unit Trusts (b) (c) (y)

3i & Target Fund Mgrs Ltd

Target Trust Mngrs. Ltd. (a)(c)

Temple Bar Unit Trust Mgrs Ltd

Touche, Remnant Unit Trust Mngt. Ltd.

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (a) (y)

Tyndall Managers Ltd.(a)(b)(c)

Unit Trust Account & Mgmt. Ltd.

Vanguard Trust Managers Ltd.

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAcre Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co. Ltd.

Aetna Life Insurance Co. Ltd.

Albany Life Assurance Co. Ltd.

Allied Dunbar Assurance PLC

Ambassador Life Ass. Co. Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

British National Life Assurance Co. Ltd

Canada Life Group

Cannon Assurance Ltd.

Chieftain Assurance Funds

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd.

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd.

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance PLC

Dominion Financial Management

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd.

Framlington Life Insurance Ltd.

Friends' Provident Life Office

G.T. Management Ltd.

General Accident Linked Life Assurance(a)

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. PLC

Gresham Unit Assurance Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd.

Irish Life Assurance Co. PLC.

The LAS Group

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General (U.A.)—Contd.

Legal & General Prop. Fd. Mgrs. Ltd.

Liberty Life Assurance Co Ltd

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd

London Life

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Pensions Ltd.

National Mutual Life

National Mutual of Australasia

National Provident Institution

New Zealand Insurance PLC

Norwich Union Insurance Group

PBR Fund Management Ltd.

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Property Equity & Life Ass. Co. Ltd.

Property Growth Assur. Co. Ltd.

Providence Capital Life Assc. Co. Ltd.

Provident Life Assoc. of London Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co. Ltd.

Prudential Assurance Co. Inc.

Prudential Pensions Limited

Refuge Assurance

Reliance Mutual

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Assurance Ltd.

Scottish Amicable Investments

Scottish Equitable Life Assur. Soc.

Premium Life Assurance Co. Ltd.

Planet Mutual Insurance Co. Ltd.

INSURANCES continued

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.59	—	+0.01	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$13.46	—	-0.10	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd, London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech.	$8.89	—	+0.05	—
Dynamic Gwth Fd	$8.09	—	+0.05	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.0	—	—	3-Mth
The Money Market Trust 63 Qu Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.71	8.75	12.95	6mth
7-day Fnd	12.16	9.09	13.47	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.75	8.77	12.92	6-Mth
7-day Fund	12.16	9.10	11.42	6-Mth
Dollar	6.56	—	—	6-Mth
Money Mngt. Acc.	11.575	8.50	12.73	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	11.75	8.30	12.40	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.875	8.875	13.30	Qtr
Mth. Int. Chq	11.75	8.78	13.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.40	8.52	12.65	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.50	8.625	12.90	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.50	8.50	11.9071	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.88	8.88	13.44	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Mark	4.75	4.75	4.85	Mth
Swiss franc	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.05	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.28	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	12.25	9.16	13.75	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	12.00	8.97	13.59	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.40	8.52	12.65	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
High Int Cheque	11.50	8.50	—	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.375	9.25	13.21	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
● I.C.A.	11.75	8.78	11.07	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	10.70	8.00	11.92	Qtr
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	12.25	9.16	13.90	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.32	8.46	12.64	Qtr
Money Acc	11.87	8.875	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.00	8.97	13.59	Mth
Over £10,000	12.25	9.15	13.88	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5SE 0752 24141				
High Int Chq Acc	12.19	9.11	13.46	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. F Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Midland Bk.	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk.	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect.	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs	25
Gen Accident	43	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst.	27½	Charterhall	6
Hawker Sidd.	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24	Charter Cons.	18
Legal & Gen	50	Cons Gold	44
Lex Service	28	Lonrho	14
Lloyds Bank	45	Rio T Zinc	56
Lucas Inds	25		
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

India cuts minimum tea price

BY P. C. MAHANTI IN CALCUTTA

THE INDIAN Government yesterday bowed to intense pressure from the country's tea industry and cut its minimum export price for tea, following the recent collapse in world prices.

The minimum for South Indian tea is reduced to Rs 18 kg, and that for the North Indian variety to Rs 22. Both were previously set at Rs 26, and the opening up of a differential between them reflects the fact that local auction prices in South India have dropped faster than those in the north.

The move, announced yesterday by the Commerce Mioistry, will come as a considerable relief to exporters and planters, as the minimum export price has looked more and more out of line with world market reality. But for the moment at least, they may not be able to capitalise on it os much as they would like, owing to the continuing 220m kg ceiling on exports this year.

The fading of the recent world tea boom has left the industry in a state of flux, struggling to cope with mounting domestic surpluses and chafing at increasingly unpopular Government controls.

Last year, prices at the London tea auctions hit record highs after India imposed a ban on exports of its main CTC (crush, tear, curl) variety, for the first time in the industry's history. Then in September, the Government decreed that overall tea exports in 1984 should be limited to 215m kg—which helped to keep world prices high for a while.

Only six months ago, the average London auction price atood at 277p per kilogram. Then came the crash; it is now harely half thot level.

In the meantime, the prospect of o record Iodian tea crop this year sent local auction prices tumhling—partly in reaction to the fall in the world markat—and caused mounting diatress for mony growers, particularly in small teo gardens in the south of the country, for whom production is reported to he becoming uneconomic.

Tea ouction prices have on overage fallen hy 10 to 15 per cent in northern Indio to an average of Rs 24 per kg against Rs 29 this time last year. In the south, the drop has been even more pronounced; the price is currently around Rs 20 per kg compared with last year's Rs 31.17.

India's production target for the whole of this year is 655m kg, compared with actual production of 645m in 1984. But on the evidence of the first five months of this year, the industry is already on course to exceed that target by a considerable margin. Production between January and May totalled 165.72m kg, 11.46m kg above its level in the same period of 1984.

In fact, production has exceeded targets in every year since 1983—by 50m kg last year and 23m kg the year before. As a result, between 30m and 35m kg of tea was carried forward into this year as a surplus inventory.

Meanwbile, thare hos been hardly any relaxation in quantitative control on exports. This year's export ceiling is only 5m kg higher then the 1984 level.

The export limit is officially explained hy increasing consumption of tea within Indio. The Government haa been keen to avert domestic shortages which would cause prices within the country to rise.

But domestic consumption last year fell short of the Government's expectations — it totalled only 400m kg as opposed to an anticipated 420m.

This year, according to some market surveys, it is unlikely to exceed 415m to 420m kg.

That could mean there will be a substantial surplus of tea to be carried over into next season, too.

Hence the industry's concern. While the minimum export price remained at Rs 26, exporters complained that competitors like Sri Lanka and Bangladesh were making inroads into the market at much keener prices.

The industry argues thot demond for quality grades is holding up well in the world market. (The collapse in prices has been blamed by some producers on a glut of poor quality tea.)

In particular, new customers in Africa and Asia are said to be showing interest in Indian tea. For example, China has just concluded an agreement to import 1m kg of Indian tea, and could conceivahly become a regular importer of Indian produce if supplies can be assured.

Before relaxing the limit on exports, however, the Government would probahly prefer to wolt until next September, when the final size of this year's crop will be known.

Coffee export quotas reduced

By Our Commodities Staff

A REDUCTION in International Coffee Organisation export quotas of 1m bags (60 kilos each) was triggered yesterday when the ICO's 15-day moving average price fell below 120 cents a pound.

The global quota was cut to 58m bags from 59m, its second reduction this quarter. The ICO 15-day average stood at 119.72 cents, and looks likely to continue falling as the daily price was quoted at 116.30 cents.

The London futures market shrugged off the move, which was expected, but rose £7 to £20 on the day on continoing uncertainty over tha effects of the Ugandon coup.

The ICO has now exhausted its armoury of automatic weapons against the slide in coffee prices until the end of September. Any further reduction in quotas would have to be agreed by a special meeting of the Organisation's executive Board.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warebouse, 2,750-2,825.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 4.10-4.30.

CADMIUM: European free market, min 99.95 per cent, $ per lh, in warehouse, ingots, 0.80-0.88 sticks, 0.88-0.94.

COBALT: European free market, 99.5 per cent, $ per lb, in warebouse, 11.35-11.45.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 288-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.10-3.20.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.80-7.60.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, c.i.f, 63-69.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, c.i.f 2.15-2.25.

URANIUM: Nnexco exchange value, $ per lb U_3O_8, 15.00.

EEC row brews as Spanish subsidies hit barley exports

BY JOHN BUCKLEY

ANOTHER ROW is brewing between the European Commission and the grain trade, this time over Brussels' attitude towards barley export subsidies. As the conflict flares Britain risks losing an important share of its valuable export trade in tha Middle East to cut-price Spanish competition, shippers say. The result could be a deluge of offers of grain into intervention and further budgetary strains.

The duel between the Commission and multi-national shippers is nothing new. It revolves around the Commission attempting to secure the lowest bids from exporters in order to tha lowest restitution to bring high EEC prices down to world levels. Frequently, however, there is sharp disagreement between the two parties over what thot world level is.

Events of the past week have focused attention on the problem with the revelation that Spain is unloading its large barley surplus onto the world market with extraordinarily large subsidies. Often a big importer, Spain has had great success with domestic crops recently and is now believed to have at least 300,000 tonnes for August/September shipment. Many sources expect this trade to increase to 600,000 tonnes by September and possibly to as much as 800,000 provided internal transport can cope with the logistics of running record loads to port areas. If that were not enough it is believed another 1.5m tonnes of barley may be available for export later, enough to push the EEC out of the market until October or November.

The implications for UK barley exporters are ominous, traders say. In the season now closing Britain managed to overcome an embarrassing 4.4m tonnes of barley surplus by exporting 3.6m tonnes thanks to heavy demand from Saudi Arabia, other parts of the Middle East and the Soviet Union. This was also helped by early appreciation in Brussels of the need to ship as much as possible at the otart of the season when EEC prices are lower.

This season the world market is tipping back firmly to surplus, and Spain has decided to waste no time in offloading its supplies before its competitors, using an appetising $55/65 per tonne subsidy to cut prices as low as $87 per tonne fob. Add to this Spain's freight advantage of some $2 to $3 and it is small wonder that sales are booming in tha lucrative Saudi/Mediterranean markets which looked so secure for Britain just a few weeks ago.

"In order to compete we would have to sell barley at $85" says one shipper, who notes Brussels last week received exporter hids to ship 130,000 tonnes but through inadequate subsidy secured sales of a "paltry" 25,000 tonnes at $92. So far this season the Commission's export licences total only 80,000 tonnes for both wheat and barley against 1.8m at this time last year.

Canada, too, has sold cut-price barley, with a big increase expected in its own crop. About 100/150,000 tonnes hove heen booked out of Churchill port at prices which work back to a shipped value of $90.

Multinationals are now seeking renegotiation of some contracts so as to switch the EEC sales to Spanish origin if the Commission will not budge with higher subsidies. The Australians are also expecting another bumper barley crop and have indicated prices of $90 per tonne with forward discounts from December onward. Even new crop maize from the U.S. Gulf looks a good buy, says one importer.

Substantial rise forecast in aluminium market

BY OUR COMMODITIES EDITOR

ALUMINIUM PRICES ore set for a substaotial improvement in the next two years as a result of rising consumption ond depleted stocks, according to a report published yesterday by the Economist Intelligence Unit.*

It says that although consumption is unlikely to grow aa fast as in the 1960s and early 1970s, "aluminium has yet to reach maturity—that is to say, its use will continue to grow faster tbon industriol production in key markets such as the U.S."

The report comes against a bockground of depressed prices, despite the announcement of production cutbacks by several large primarily North American producers.

It concedes that by the end of May, the figures indicate that relatively little capacity had actually closed. But its author, Mr Adrian Ham, former commercial director of British Alcan Commercial Extrusions, mointains that the cutbacks could begin to bite later this yeor.

"Producers are now paying the price for the very large and rapid increose in smelter operating rates that took place in 1984—from 80 per cent to 90 per cent—in response to attractive prices," it says.

Apparent consumption — including changes in consumer stocks—is forecast to rise by 1.6 per cent this year and 4.4 per cent next, while production is expected to fall by 5.9 per cent in 1985.

*Aluminium to 1990: prospects for recovery by Adrian Ham; £120 from Economist Intelligence Unit, 40 Duke Street, London W1A 1DW.

Exchange to consider copper contract change

BY ANDREW GOWERS

PLANS TO set up a new high-quality copper contract on tha London Metal Exchange will be discussed hy a special joint meeting of the market's board and management committee next Tuesday.

The new contract, known as "grade A copper," is part of a compromise proposal put forward this week hy an LME working party set up to study the restructuring of the market's key copper contracts earlier this year.

The grade A contract (its name may be changed later) would allow for delivery of selected higher-grada cathodes and wirebars. The present higher-grade contract would be reploced hy a new catch-all standard copper contract, which would take in all brands.

The idea of introducing a new contract comes in response to mounting pressure from industry, which claims that the present contract artificially depresseo the price of high-quolity cathodes.

There will probably be a price differential between the two contracts most of the time, although under the working party's proposal this would not be fixed.

A member of the working party conceded that the proposal fell short of producers' demands, and ran counter to some LME members' wishes. He also agreed that there could be liquidity problems in tha specialised contract as proposed.

But he said the market was aware of the need to make up its mind quickly on the future of its copper contracts.

U.S. agency calls for futures insurance study

BY NANCY DUNNE IN WASHINGTON

THE U.S. Commodity Futures Trading Commission has asked the National Futures Association and the U.S. Commodity Exchanges to examine the possiblity of offering commodity account insurance to protect futures investors from loss through frand, company insolvencies or mismanagement.

The recommendation, growing out of the default in March of Volume Investors Inc., heads the list of proposals by CFTC staffo designed to protect the integrity of the U.S. futures markets. Volume Investors Inc. was unahle to meet margin calls on gold options when, in mid-March, the gold market experienced a sharp price surge.

Last week tha CFTC staff recommended changes in the minimum financial requirements for futures commission brokers. Proposed guidelines concerning option margin rules would require an exchange to demonstrate that ts rules "ensure to the extent possible that the margin collected from a customer, including floor traders and other exchange members, is commensurate with the risk assumed by each customer."

In a study on commodity account insurance released on Monday, the CFTC division of trading and markets discussed the growth of institutional participation in the markets in financial contracts

Further fall in Chicago soya complex

By Our Chicago Correspondent

THE SLIDE in soyabean and soya proudct prices on the Chicago futurea market is showing no sign of abating against a background of good growing conditions in the U.S. Mid-west.

Soyabean futures continued to set life of contract lows early yesterdey, with the August contract down 3.75 cents to $5.27 per bushel.

The 30-day weather forecost Service predicts normal temperatures and rainfall for the prime soyabean growing regions. "This prediction for the critical month of August seems to point to a good harvest," said one analyst.

LONDON MARKETS

CONTINUED HEAVY tendering of physical supplies against the expiring July cocoa futures position pushed the price down again on the London market. July cocoa ended the doy £38 down at £1,696.50 a tonne although forward positions were somewhat firmer following Monday's sharp falls. The September position finished £4 up at £1,665.50 a tonne and bigger gains were registered in more distant months. Dealers said the gains were influenced by scattered Continental demand.

Robusta coffee futures were also modestly higher with the September quotation gaining £11 to £1,540 a tonne. The market operated in a fairly narrow range with short covering halting any decline and profit taking appearing on rises.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	July 30 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1040/80	—5	$1025/1065
Copper			
Cash h Grade	£1081	—4	£1084
3 mths	£1048.25	—7.5	£1081.25
Gold troy oz	$325.75	—2.5	$309
Lead Cash	£291	+4.5	£306.5
3 mths	£298.25	+4	£303.70
Nickel			
Free Mkt	227/241c	—6	240/270c
Palladium oz	$90.35	+0.35	$93.60
Platinum oz	$280.30	+1.25	$257.10
Quicksilver†	$295/305	—4	$280/290
Silver troy oz	430.40p	+1.95	450.40p
3 mths	431.25p	+1.80	469.85p
Tin cash	£9085	+10	£9553
3 mths	£9060.5	+3	£9486.5
Tungsten	$67.49	......	$72.75
Wolfram 22.04lb	$64.68	......	$66/60
Zinc	£513	—7	£611.6
3 mths	£509.5	—4	£593.6
Producers	$830	......	$880

OILS	July 30 1985	+ or —	Month ago
Coconut (Phil)	$627.5x	—2.5	$500
Palm Malayan	$445u	—5	$546
SEEDS			
Copra Phil	$340z	......	‡
Soyabean (U.S.)	$220.5w	—4.6	$225.0
GRAINS			
Barley Fut. Nov.	£101.30	+0.15	£99.60
Maize	£136.90z	......	£145.00
Wheat Fut. Nov.	£101.40	—0.05	£97.35
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1665.5	+4	£1736.5
Coffee Ft. Sept.	£1540	+11	£1881.5
Cotton A Index	09.85c	+0.25	92.40c
Gas Oil Sept.	$281	—1	$211.0
Rubber (kilo)	63p	......	66p
Sugar (raw)	$113zw	—19	$84
Wooltops 64s	428pkilo	—1	452pkilo

‡ Unquoted. a Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

INDICES

FINANCIAL TIMES

July 29	July 28	M'th ago	Year ago
259.62	260.41	276.04	288.85

(Base: July 1 1952 = 100)

REUTERS

July 30	July 29	M'th ago	Year ago
1689.9	1700.9	1760.7	1878.1

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 29	July 20	Month ago	Year ago
Spot	113.85	115.10	—	126.71
Fut.	114.48	116.20	—	124.60

(Base: December 31 1974 = 100)

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	710.5-1.0	+0.5	710
3 months	732-3	+0.20	733/730

Official closing (am): Cash 709.5-10 (709-10); three months 730.5-1 (730.5-1); settlement 710 (710). Final Kerb Close: 731-2. Turnover: 9,575 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1068-2	—4	1085/1083
Three m'nths	1043.5-.5	—7.0	1055/1045

COPPER HIGHER GRADE

Official closing (am): Cash 1090-2 (1087-90); three months 1054-5 (1054-5); settlement 1092 (1090). Final Kerb Close: 1042-3.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9080-90	+10	—
3 months	9066-70	+7.5	—

Official closing (am): Cash 9081-2 (9075-80); three months 9060-2 (9060-5); settlement 9082 (9080).

Standard			
Cash	9080-90	+10	9081/9080
3 months	9060-1	+5	9085/9061

Official closing (am): Cash 9081-2 (9070-5); three months 9060-1 (9060-1); settlement 9082 (9075). Final Kerb Close: 9058-60. Turnover: 1,310 tonnes. Straits tin $m31.07 (31.05) kilo.

LME prices supplied by Amalgamated Metal Trading

GOLD

GRAINS

Wheat lost 30p early in the day but regained the losses late in the day. Barley was steadier on weather concerns, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	98.00	+0.15	97.75	+0.15
Nov	101.40	+0.05	101.30	+0.15
Jan	105.00	——	106.05	+0.25
Mar	108.40	+0.05	108.20	+0.30
May	111.80	—0.05	111.00	+0.30

Business done—Wheat: Sept 98.00-7.65, Nov 101.20-1.10, Jan 105.05-4.95, March 108.40-8.10, May 111.70-1.60. Sales: 158 lots of 100 tonnes. Barley: Sept 97.50-7.50, Nov 101.30-1.10, Jan 106.05-4.70, March untraded, May 110.70 only. Sales: 21 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 10 per cent: Aug 119.50, Sept 117.85, Oct 119.40, Nov 121.60, sellers, transhipment East Coast. U.S. No. 2 Soft Red Winter: Aug 104.50, Sept 107.50, Oct 110.50, Nov 112.25, sellers. EEC July 117, seller. English feed, fob: Aug 20/Sept 10 98.50, Sept 99.25, sellers, East Coast. Maize: U.S. No. 3 Yellow French, transhipment East Coast. July/Aug 136, sellers. Barley: English feed, fob: Aug 97, Nov 108, Jan/Mar 110.25, sellers, East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 92.40, S. West 92.70, W. Mids 91.00, N. East 92.30. The UK monetary coefficient for the week beginning Monday August 5 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

COCOA

Although locked in a narrow range for most of the day, futures attracted renewed buying interest on the teasing call to end on a steady note. The early lows appealed to consumers who made light forward purchases but producers remained withdrawn reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1693-1700	—39.0	1746-1691
Sept.	1665-1669	+4.0	1665-1648
Dec.	1659-1660	+13.0	1662-1645
Mar.	1665-1665	+10.0	1668-1661
May	1688-1689	+11.5	1689-1674
July	1707-1709	+13.5	1708-1692
Sept.	1720-1729	+16.0	1714-1705

Sales: 3,563 (3,119) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 30: 101.59 (101.42); five-day average for July 31: 102.03 (102.15).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 100 tonnes. Fair trading developed mostly in Paraguayan growths.

COFFEE

In quiet conditions mixed buying interest created a steady morning, reports DBL. Gains of £30-45 were established as sterling retreated during the afternoon but prices fell towards the close on commission selling.

COFFEE	Yesterday's Close	+ or —	Business Done
July	1610-15	+10.0	1638-98
Sep	1536-40	+11.0	1575-38
Nov.	1587-88	+16.5	1618-70
Jan.	1620-23	+11.0	1646-15
March	1665-68	+17.0	1680-50
May	1685-95	+14.0	1705-85
July	1695-00	+8.0	—

Sales: 3,358 (1,563) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound for July 29: Comp daily 1979 112.30 (115.84); 15-day average 118.72 (120.34).

SUGAR

LONDON DAILY PRICE—Raw sugar $113.00 (£79.50), down $12.00 (down £8.00) a tonne for July-August-September delivery. White sugar $147.50, down $5.50.

The market rallied $2 from the previous close, fell back to unchanged but recovered towards the close, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug.	111.8-118.8	112.2-113.0	115.8-118.2
Oct	119.0-119.1	117.8-111.8	122.2-117.5
Dec.	121.8-121.9	118.8-121.0	124.0-120.4
Mar.	151.2-151.5	129.0-150.0	134.5-129.1
May	154.2-155.8	151.8-155.9	157.8-155.0
Aug.	157.2-158.8	158.0-158.8	158.8-157.8
Oct	140.0-141.9	150.8-140.0	141.8

Sales: 3,418 (5,882) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £184.50 (£194.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for July 29: Daily price 4.26 (4.31); 15-day average 3.25 (3.14).

SOYABEAN MEAL

The market opened 50p easier on commission house selling, reports T.G. Roddick. Prices steadied on commercial buying before sterling tempered the gains.

	Yesterday close £ per tonne	+ or —	Business Done
August	—	—	—
October	108.8-109.0	—0.30	109.0-108.5
Dec.	113.5-113.8	—0.90	114.0-113.5
Feb.	116.4-118.0	—0.55	119.0-118.9
Apr.	119.8-120.0	—0.80	—
June	119.5-121.8	—0.75	—
August	121.8-123.0	—0.58	—

Sales: 1,222 (79) lots of 20 tonnes.

RUBBER

The London physical market opened unchanged, attracted some buying interest from INRO throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 63.00p (same): Sept 59.00p (same): Oct 59.00p (same). The Kuala Lumpur fob price for RSS No 1 was 191.0 (same) cents a kg and for SMR 20 was 160.5 (159.5).

OIL

Crude trading was very thin. August loadings were neglected. Nymex WTI opened 9 down for September and traded 3 down at 1 pm EST. In the petroleum products market prompt gas oil firmed as a short-coverer was forced to pay a high price for physical gas oil. Forward periods were stable within active trading, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Aug.		
Arab Light	27.05-27.15	—
Arab Heavy	25.05-25.15	—
Dubai	25.80-25.85	—0.075
Brent Blend	27.15-27.20	—
W.T.I. (1pm est)	27.25-27.35*	—0.15
Forcados (Nigeria)	—	—
Urals (cif NWE)	26.00-26.10	—0.075
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	283-285	—1
Gas Oil	225-227	+1
Heavy fuel oil	130-133	—
Naphtha	254-256	—2

* September.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Aug	223.00	—0.25	224.00-22.50
Sep	221.00	—1.00	222.00-20.75
Oct	222.00	—0.25	222.80-21.00
Nov	223.50	—0.25	225.50-22.75
Dec	225.25	—	225.25-24.25
Jan	225.20	+0.50	226.25-25.00

Turnover: 872 (1,254) lots of 100 tonnes.

POTATOES

PIGMEAT

FREIGHT FUTURES

U.S. MARKETS

PRECIOUS METALS were steady reflecting a modestly weaker dollar but resistance continued above the market from dealer selling, reports Heinold Commodities. Copper was under pressure on disappointed long liquidation reflecting continued concern over the build-up in LME stocks. Aluminium was slightly lower on the weaker tone to sterling. Sugar was mixed with position squaring noted ahead of the EEC selling tender. Cocoa traded moderately higher in featureless conditions, owaiting fresh news aver new crop prospects. Coffee was mixed as good nearby supply availability offset the quota cut by the ICO. Cotton remained weak in response to the poor level of demand. Heating oil eased fractionally in light trading as markets attempted to sort out the seriousness of tight spot supplies. Grains and soyabeans came under steady pressure as precipitation prospects improved and relief for stressed production areas was anticipated.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
August	44.65	—	—	44.80
Sept	44.95	45.20	44.95	45.10
Dec	45.95	46.25	45.95	46.10
Jan	46.30	—	—	46.45
March	46.95	47.25	47.00	47.10
May	47.65	—	—	47.80
July	48.35	—	—	48.50
Sept	49.05	—	—	49.20

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.60	60.11	59.55	59.90
Dec	59.58	59.96	59.55	59.88
March	60.04	60.31	60.02	60.30
May	60.01	60.15	60.08	60.27
July	59.52	59.72	59.50	59.72
Oct	54.08	54.45	54.20	54.37
Dec	53.15	53.40	53.20	53.40

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

GOLD 100 troy oz, $/troy oz

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

ORANGE JUICE 15,000 lb, cents/lb

COCOA 10 tonnes, $/tonnes

COFFEE "C" 37,500 lb, cents/lb

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
August	60.80	—	—	61.95
Sept	61.25	62.90	61.10	62.40
Dec	62.35	52.50	62.30	63.80
Jan	62.60	—	—	63.75
March	63.15	64.25	63.10	64.25
May	63.55	64.30	63.50	64.65
July	63.95	64.65	64.20	65.05
Sept	64.30	64.90	64.90	65.40
Dec	64.85	66.65	65.50	65.95

PLATINUM 50 troy oz, $/troy oz

SILVER 5,000 troy oz, cents/troy oz

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	4.17	4.32	4.13	4.18
Oct	4.28	4.50	4.25	4.34
Jan	4.48	4.70	4.47	4.64
March	4.87	5.00	4.83	4.82
May	5.10	5.17	5.00	4.95
July	5.29	5.38	5.20	5.20
Sept	5.35	5.50	5.35	5.51
Oct	5.54	5.61	5.45	5.39

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	51.57	51.75	51.05	50.97
Oct	54.42	54.55	53.75	53.87
Dec	56.05	56.10	55.20	55.50
Feb	56.90	57.00	56.00	56.55
April	57.80	58.50	57.30	57.87

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56lb bushel

PORK BELLIES 38,000 lb, cents/lb

SOYABEANS 5,000 bu min, cents/60lb-bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lb, cents/lb

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	301.8	305.0	301.0	303.2
May	291.2	294.2	290.0	293.2
July	270.5	274.0	270.6	273.2
Sept	274.0	279.0	274.0	275.6

SPOT PRICES—Chicago loose lard 17.00 (19.50) cents per pound. New York tin 594.0-96.0 (595.0-97.0) cents per pound. Handy and Harman silver 626.5 (636.0) cents per troy ounce.

OTHER MARKETS

MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 76.0-81.0; English forequarters 53.0-55.0; Ulster hindquarters 87.0-91.0; Eire hindquarters 87.5-91.0. Veal—Dutch hinds and ends 141.0-146.0. Lamb—English small 68.0-76.0, medium 66.0-74.0, heavy 64.0-66.0; Scotch heavy 64.0-65.5; Imported: New Zealand PL 64.3-65.5, PX 64.5-65.5. Pork—English under 100 lb 49.5-56.0, 100-120 lb 48.5-56.0, 120-160 lb 47.0-48.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.17p per kg lw (+0.31). GB—Sheep 161.31p per kg est dcw (+3.67). GB—Pigs 75.66p per kg lw (−1.09).

PARIS

SUGAR—(FFr per tonne): Oct 1285-1286, Dec 1295-1300, March 1346-1349, May 1365-1385, Aug 1420-1455, Oct 1450-1480.

COCOA—(FFr per 100 kg): Sept 2013-2015, Dec 1991-2000, March 2006-2018, May 2010 bid, July 2015 bid, Sept 2020 bid.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg: Oct 610.0, 615.0; Dec 610.0, 615.0; March 620.0, 625.0; May 628.0, 635.0; July 630.0, 648.0; Oct 618.0, 640.0; Dec 624.0, 647.0; March 627.0, 656.0. Sales: 0.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. No. 2 Soft Red Winter: Sept 132, Oct 135, Nov 137.50, Dec 138.50. U.S. No. 2 Northern Spring, 14 per cent protein: Aug 153, Sept 149.50, Oct 152, Nov 156. U.S. Northern Spring, 15 per cent protein: Aug 160, Sept 158.50, Oct 160, Nov 164.50. U.S. No. 3 Hard Amber Durum: Aug 159, Sept 156, Oct 160, Nov 164.50. Canadian No. 1 Western Red Spring, 13.5 per cent: afloat 163.50, Aug 163.50, Sept 162.50, Oct 164. Canadian No. 1 Western Amber Durum: Aug 170, Sept 171, Oct 174, Nov 15/Dec 15 178.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar mixed but nervous

The dollar showed small mixed changes at the London close, after a move by the Federal Reserve to drain reserves from the New York banking system gave a late boost to the currency. Federal funds were trading at 7 7/16 pc at the time, slightly below the Federal Reserve's discount rate. Sentiment surrounding the dollar remained bearish however, and at one time it appeared the U.S. currency might test DM 2.80. This followed news of a U.S. trade deficit of $13.4bn in June, compared with market expectations of around $12bn, and the May deficit of $12.67bn. A further sign of weakness in the U.S. economy was provided by a fall of 0.1 pc in new home sales, against a revised rise of 5.7 pc in May. Comments by Mr Malcolm Baldrige, U.S. commerce secretary, about the need for a further substantial drop in the value of the dollar, to aid U.S. manufacturing, also contributed to the nervous tone.

The dollar fell to DM 2.8170 from DM 2.8190 and FFr 8.57 from FFr 8.5950, but rose to SwFr 2.2955 from SwFr 2.2880 and Y237.30 from Y237.10. On Bank of England figures the dollar's index was unchanged at 136.8.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. June average 1.2813. Exchange rate index fell 0.2 to 84.4. It opened at the day's peak of 84.6, and remained at, or close to that level, until falling to a low of 84.2 at 3 pm.

Sterling showed some late reaction to the cut in clearing bank base rates on Monday, and also suffered from anticipation of another reduction in London interest rates. The pound lost about ½ cent against the dollar in the morning, but failed to benefit from the dollar's mid-afternoon fall, weakening further against Continental currencies. Sterling fell 60 points on the day to $1.4225-1.4235, and as London money market rates pointed towards another base rate cut, declined to DM 4.00 from DM 4.03; FFr 12.1750 from FFr 12.2850; SwFr 3.2575 from SwFr 3.27; and Y336¾ from Y338¼.

D-MARK—Trading range against the dollar in 1985 is 3.4510 to 2.8170. June average 3.0639. Exchange rate index 125.6 against 120.4 six months ago.

The D-mark was firmer against the dollar in quiet Frankfurt trading. The U.S. currency closed at DM 2.8215 compared with DM 2.83025 on Monday, and was soft throughout, falling to a low of DM 2.8150 on news of a larger than expected June U.S. trade deficit. Earlier in the day the dollar had been fixed near the day's high at DM 2.8353, against DM 2.8304 previously. Sterling fell to DM 4.02 from DM 4.0405 at the Frankfurt close, after being fixed at DM 4.0350. Monday's cut in UK bank base rates, and a further fall in London money market rates, tended to undermine the pound in late trading. The upward trend in German interest rates was regarded as technical, and had little impact. Weaker members of the EMS, the Belgian and French francs also lost ground to the D-mark.

STERLING INDEX

	July 30	Previous
8.30 am	84.6	84.5
9.00 am	84.6	84.5
10.00 am	84.6	84.7
11.00 am	84.6	84.6
Noon	84.6	84.6
1.00 pm	84.5	84.5
2.00 pm	84.5	84.6
3.00 pm	84.2	84.6
4.00 pm	84.4	84.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.2816	+1.00	+1.00	N/A
Danish Krone	8.12857	8.07045	−0.72	−0.72	N/A
German D-mark	2.23810	2.24364	+0.23	+0.23	N/A
French Franc	6.86402	6.82759	−0.53	−0.53	N/A
Dutch Guilder	2.52208	2.52250	+0.02	+0.02	N/A
Irish Punt	0.724578	0.716581	−1.19	−1.10	N/A
Italian Lira	1520.60	1504.17	−1.08	−1.08	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	July 30	Prev. close
£ Spot	$1.4140-1.4150	$1.4815-1.4825
1 month	0.44-0.42 pm	0.45-0.43 pm
3 months	1.02-0.98pm	1.10-1.07 pm
12 months	2.28-2.15pm	2.68-2.58 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4170-1.4290	1.4225-1.4235	0.45-0.42c pm	3.67	1.04-1.00 pm	2.87
Canada	1.9210-1.9254	1.9210-1.9240	0.01c pm-par	0.06	0.01pm-par	0.01
Nethlnd.	4.49½-4.54	4.49½-4.50½	2¼-1½c pm	5.00	6¾-5¾ pm	5.11
Belgium	80.86-81.50	80.75-80.85	29-13c pm	3.12	52-33 pm	2.10
Denmark	14.36½-14.52¾	14.36½-14.37½	4¾-3¾ore pm	3.34	8¾-6¾ pm	2.11
Ireland	1.2806-1.2905	1.2805-1.2815	0.24-0.08p pm	1.55	0.52-0.30 pm	1.28
W. Ger.	3.99½-4.04	3.99½-4.00½	2⅞-1⅞pf pm	7.13	6¾-5¾ pm	6.25
Portugal	236½-239½	235½-239½	60-430c dis	−12.38	440-1525dis	−16.55
Spain	232-235	233-233½	200-430c dis	−16.21	515-825 dis	−11.49
Italy	2682½-2706½	2682½-2683½	5 lire pm-3 dis	−0.67	2-14 dis	−1.18
Norway	11.67½-11.76¾	11.67½-11.68½	par-1½ore dis	−0.77	2⅞-4½ dis	−1.28
France	12.17-12.30½	12.17-12.18	1½c pm-½ dis	−0.74	¾ pm-1½ dis	−0.18
Sweden	11.77½-11.84¾	11.77½-11.78½	3¾-4¾ore dis	−4.87	10¾-12½ dis	−3.82
Japan	336¾-339	336¾-337¾	1.63-1.53y pm	5.63	4.05-3.85 pm	4.69
Austria	28.19-28.39	28.19-28.26	15½-13½gro pm	6.08	38-33 pm	5.03
Switz.	3.25¾-3.29	3.25¾-3.26¾	2½-1½c pm	7.37	6¾-4¾ pm	6.45

Belgian rate is for convertible francs. Financial franc 81.95-82.10. Six-month forward dollar 1.61-1.56c pm, 12-month 2.30-2.15c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4170-1.4290	1.4225-1.4235	0.45-0.42c pm	3.67	1.04-1.00 pm	2.87
Ireland†	1.1005-1.1142	1.1115-1.1125	0.25-0.15c pm	2.17	0.50-0.36 pm	1.54
Canada	1.3480-1.3610	1.3504-1.3514	0.10-0.13c dis	−1.02	0.30-0.35 dis	−0.98
Nethlnd.	3.1500-3.1895	3.1565-3.1575	0.52-0.49c pm	1.90	1.70-1.66 pm	2.11
Belgium	56.80-57.25	56.80-56.90	3½-5c dis	−0.89	12-15 dis	−0.94
Denmark	10.10¾-10.19½	10.12½-10.13½	¼-½ ore dis	−0.59	2-2½ dis	−0.88
W. Ger.	2.8050-2.8375	2.8165-2.8175	0.85-0.80 pf pm	3.49	2.45-2.40 pm	3.42
Portugal	166-188	166-167	100-350c dis	−16.19	450-1200dis	−19.79
Spain	163½-165¼	163¾-164¼	87-92c dis	−8.51	276-288 dis	−0.77
Italy	1881-1901	1882-1883	5-6½c dis	−3.63	12-15 dis	−2.84
Norway	8.20½-8.29¾	8.20¾-8.21¼	3-3½ore dis	−4.73	8¾-9 dis	−4.24
France	8.56-8.63¾	8.56¾-8.57¼	2.25-2.65c dis	−2.41	7.25-8.00 dis	−3.53
Sweden	8.26-8.32	8.27¼-8.27¾	5¼-5¾ore dis	−7.94	14-14½ dis	−0.86
Japan	236.60-237.95	237.25-237.35	0.39-0.35y pm	1.87	1.13-1.08 pm	1.86
Austria	19.73-19.93	19.75-19.80	4-3½gro pm	2.18	11½-9 pm	2.06
Switz.	2.2880-2.3140	2.2950-2.2960	0.64-0.58c pm	3.17	1.88-1.82 pm	3.21

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.60-57.70.

OTHER CURRENCIES

July 30	£	$		£ Note Rates
Argentina Austral	1.1368-1.1391	0.8000-0.8010	Austria	28.25-28.80
Australia Dollar	1.9715-1.9755	1.3865-1.3905	Belgium	82.00-82.80
Brazil Cruzeiro	9,094-9,129	6,400-6,420	Denmark	14.44-14.58
Finland Markka	8.4295-8.4495	5.9390-5.9410	France	12.24-12.30
Greek Drachma	184.96-189.11	129.89-133.61	Germany	4.01¼-4.05¼
HongKong Dollar	11.0343-11.0445	7.7480-7.7500	Italy	2675-2725
Iran Rial	125.90*	—	Japan	335-345
KuwaitDinar(KD)	0.4259-0.4273	0.30025-0.30035	Netherlands	4.53-4.56
Luxembourg Fr	80.25-80.85	56.80-56.90	Norway	11.70-11.81
Malaysia Dollar	3.5070-3.5180	2.4610-2.4630	Portugal	230-245
New Zealand Dlr.	2.6925-2.7000	1.8895-1.8905	Spain	226½-239½
Saudi Arab. Riyal	5.1910-5.1955	3.6505-3.6510	Sweden	11.72-11.81
Singapore Dollar	3.1310-3.1360	2.1990-2.1950	Switzerland	3.27-3.31
Sth African Rand	2.8130-2.8270	1.9745-1.9935	United States	1.41½-1.43½
U.A.E. Dirham	5.2215-5.2355	3.6720-3.6730	Yugoslavia	378-450

* Selling rate.

CURRENCY MOVEMENTS

July 30	Bank of England Index	Morgan Guaranty Change %
Sterling	84.4	−9.8
U.S. dollar	136.8	+25.8
Canadian dollar	80.0	−6.9
Austrian schilling	110.7	+4.3
Belgian franc	90.6	−10.8
Danish Kroner	78.6	−4.9
Deutsche mark	125.0	+7.8
Swiss franc	148.0	+12.3
Guilder	115.8	+5.2
French franc	67.3	−14.0
Lira	45.0	−20.6
Yen	157.7	+13.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.724630	0.556705
U.S.$	7½	1.03808	0.792191
Canadian $	9.31	*	1.07073
Austria Sch.	4½	20.5634	15.7725
Belgian Fr	8½	59.0252	45.9816
Danish Kr	7	10.5181	8.07045
D mark	4½	2.93628	2.24364
Guilder	5	3.30027	2.52250
French Fr	9½	8.99288	6.82759
Lira	15	1961.00	1504.17
Yen	5	245.451	188.304
Norwgn Kr	8	8.85930	6.80637
Spain Pts.	—	170.394	130.751
Swedish Kr	10½	8.93026	6.85698
Swiss Fr	4	2.38270	1.82695
Greek Drch	20½	135.157	103.801
Irish Punt	12½	0.935996	0.716571

* CS/SDR rate for July 29: 1.39315.

EXCHANGE CROSS RATES

July 30	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.423	4.000	336.8	12.18	3.258	4.496	2683.	1.923	80.80
U.S. Dollar	0.703	1.	2.817	237.3	8.570	2.298	3.157	1892.8	1.351	56.85
Deutschemark	0.250	0.356	1.	84.19	3.044	0.814	1.124	670.8	0.481	20.20
Japanese Yen 1,000	2.970	4.226	11.88	1000.	36.15	9.673	13.35	7967.	5.709	239.9
French Franc 10	0.821	1.168	3.285	276.6	10.	2.676	3.694	2204.	1.579	66.37
Swiss Franc	0.307	0.437	1.228	103.4	3.738	1.	1.381	823.6	0.590	24.80
Dutch Guilder	0.222	0.318	0.889	74.87	2.707	0.724	1.	596.6	0.427	17.97
Italian Lira 1,000	0.373	0.530	1.491	125.5	4.538	1.214	1.676	1000.	0.717	30.12
Canadian Dollar	0.520	0.740	2.081	175.2	6.335	1.694	2.338	1396.	1.	42.03
Belgian Franc 100	1.238	1.761	4.950	416.8	15.07	4.033	5.566	3321.	2.379	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 30	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12-12⅛	7 9/16-7 11/16	8¼-9	6¼-6⅜	⅞-1⅛	4⅝-4¾	9¾-10	—	8¼-8⅛	8¼-8⅛	6 5/16-6 7/16	9¾-10¼
7 days' notice	11⅞-12	7¾-7⅞	8⅞-9	6 7/16-6 9/16	2⅛-2⅜	4 11/16-4 13/16	10¼-10⅛	8-11	8⅛-8¾	8⅛-8⅜	6 5/16-6 7/16	7⅛-8
Month	11 9/16-11⅝	7⅞-8	8⅞-9⅛	6 7/16-6 9/16	4⅝-4⅞	4 11/16-4 13/16	11-11⅛	11-12	8¾-9	8⅝-8⅞	6¼-6⅜	8¼-8¾
Three months	11 9/16-11 11/16	8⅛-8¼	9-9¼	6-6⅛	4¾-4⅞	4 11/16-4 13/16	11⅝-11⅞	12½-13½	9⅛-9⅜	8⅞-9⅛	6¼-6⅜	8¾-9¼
Six months	10⅞-11	8 5/16-8 7/16	9 5/16-9 9/16	6-6⅛	4 11/16-4 13/16	4 13/16-5 1/16	11½-12	13-14	9⅛-9⅜	9¼-9½	6¼-6⅜	9-9½
One year	10 13/16-10 15/16	8 11/16-8 13/16	9½-9¾	6-6⅛	4¾-4⅞	5 1/16-5 3/16	11⅝-12⅛	13⅞-14⅛	9¾-10	8⅝-8⅞	6¼-6⅜	9¼-9¾

Asian $ (closing rates in Singapore): Short-term 7 11/16-7 13/16 per cent; seven days 7 11/16-7 13/16 per cent; one month 7 15/16-8 1/16 per cent; three months 8⅛-8¼ per cent; six months 8⅜-8½ per cent; one year 8 11/16-8 13/16 per cent. Long-term Eurodollars: two years 9¼-9⅜ per cent; three years 10-10⅛ per cent; four years 10⅜-10½ per cent; five years 10⅝-10¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates continue to fall

Interest rates remained soft on the London money market yesterday, as hopes continued of another cut in clearing bank base rates. This seems unlikely before the next set of UK money supply figures on August 6, but the present level of interbank rates already virtually discounts base rates of 11 per cent. Three-month money fell to 11⅜-11¼ per cent from 11⅜-11½ per cent, and discount houses buying rates for three-month bank bills declined to 10 25/32 per cent from 10 27/32 per cent.

UK clearing banks base-lending rate 11½ per cent since July 30.

The Bank of England forecast a money market shortage of £850m in the morning, but changed this to £900m in the afternoon. Total help on the day was only £767m.

Before lunch £28m bills were bought outright, by way of £3m bank bills in band 1 (up to 14 days maturity) at 11½ per cent; and £25m bank bills in band 2 (15-33 days) at 11 7/16 per cent.

In the afternoon £366m bills were purchased outright, through £21m bank bills in band 1 at 11⅜ per cent; and £345m bank bills in band 2 at 11 5/16 per cent. Another £328m bills were bought for resale to the market on August 13 at 11⅜-11¼ per cent. Late assistance of around £45m was also provided.

Bills maturing in official hands, repayment of late assistance and a take up of Treasury bills drained £250m, with the unwinding of repurchase agreement absorbing £636m, and bank balances below target £25m. Exchequer transactions were flat, but a fall in the note circulation added £60m to liquidity.

In Frankfurt call money was firmer at 4.60 per cent, compared with 4.55 per cent on Monday. The rise was largely the result of demand for funds to make pension payments on behalf of customers. Banks stocking up minimum reserve holdings at the Bundesbank before the end of the month also tightened money market conditions. Next Monday DM16.2bn will drain from the market as two securities repurchase agreements expire, and the Bundesbank is expected to announce renewed facilities tomorrow. Attention will centre on the minimum rate at which money is offered, to see whether the German central bank is still encouraging lower domestic interest rates. The last agreement was offered at 4.8 per cent, compared with 5.1 per cent previously.

MONEY RATES

July 30	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.60-4.70	9⅞	1⅛-1⅜	6⅛-6¼	6.34375	14½-14⅞	8.46	11¼-11½
One Month	5.00-5.10	9 9/16-9 11/16	4⅝-4¾	6 5/16-6 7/16	6.34370	14⅛-14⅜	8⅝-8⅞	10⅝-10⅞
Two Months	5.00-5.18	9¾-9⅞	—	—	—	—	—	10¼-10½
Three Months	5.00-5.15	9¾-9⅞	4¾-4⅞	6 5/16-6 7/16	6.34578	14½-14⅞	8⅞-9⅛	10⅛-10⅜
Six Months	5.05-5.20	9⅞-10	—	6-6⅛	—	—	9¼-9½	10-10¼
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

July 30 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-12⅛	12-12½	12-12¼	11-12	—	—	—	—	—
2 days notice	—	—	11⅞-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅞-12 1/16	11⅛-12	12⅛-12¼	11⅝-11¾	—	—	—	—	—
One month	11½-11⅝	11⅝-11 13/16	11⅝	11⅞	11¼	11 5/32	11⅜	11 5/32	11⅛	11⅝
Two months	11 9/16-11⅝	11⅝-11 13/16	11⅝	11⅝	11	10 15/16	10⅞	10 15/16	10 15/16	11¼
Three months	11 5/16-11 7/16	11⅛-11 5/16	11 5/16	11⅝	11	10¾	10⅝	10 25/32	10 25/32	11 3/16
Six months	10 13/16-10 15/16	10⅞-11 1/16	11	—	—	—	—	10 9/16	10 9/16	11 3/32
Nine months	10 13/16-10 15/16	10⅞-11	—	—	—	—	—	—	—	—
One year	10 13/16-10 15/16	10 13/16-11	10¾	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	11⅞-11⅞	—	11 9/16	7.9-8.0	7¾-8	8⅝-8¾
Two months	11 9/16-11 7/16	—	11⅝	7.95-8.05	7 9/16-8 1/16	8¾-9⅛
Three months	11⅞-11⅝	—	11 7/16	8.05-8.15	7⅞-8⅛	8 9/16-8 13/16
Six months	11⅜-11⅛	—	11	8.25-8.35	7⅞-8⅛	8⅞-9
Nine months	11⅛-11¼	—	10 15/16	8.55-8.65	—	—
One year	11 1/16-11 3/16	—	10 15/16	8.7-8.8	8¼-8⅛	8 15/16-9
Two years	—	10⅞	—	—	—	—
Three years	—	10 15/16	—	—	—	—
Four years	—	10 15/16	—	—	—	—
Five years	—	10 15/16	—	—	—	—

ECGD Fixed Finance IV: Average Rate of interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1, 1985. London and Scottish Clearing Bank Rate for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 8.25-8.625 per cent (net). Treasury Bills: Average tender rate of discount 11.1325 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11⅜ per cent; three-six months 11 per cent; six-nine months 10¾ per cent; nine-12 months 10¾ per cent. Under £100,000 10⅝ per cent from July 29. Deposits held under Series 5 10¾ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 30)
3 months U.S. dollars

bid 8 7/16	offer 8 9/16

6 months U.S. dollars

bid 8½	offer 8⅝

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8½
Fed funds	7 7/16
Fed funds at intervention	7 7/16

Treasury Bills

One month	6.65
Two month	6.95
Three month	7.25
Six month	7.43
One year	7.53

Treasury Bonds

Two year	99 21/32
Three year	101 9/32
Four year	99 5/16
Five year	99 9/32
Seven year	99¾
10 year	103 15/32
30 year	103⅞

FINANCIAL FUTURES

Euros & bonds firm

Eurodollar and U.S. Treasury bonds finished firmer on the London International Financial Futures Exchange yesterday. September Eurodollars opened at 91.65 and were sold down to a low of 91.58 before Chicago opened. A low Federal funds rate, below 7½ per cent, and data pointing to weakness in the U.S. economy, gave a further boost to hopes of lower interest rates, and pushed the contract up to a high of 91.71, before it closed at 91.68, against 91.61 on Monday. The U.S. June trade deficit of $13.4bn was above expectations, while the market was also looking for a rise in new homes sales. These fell by 0.1 per cent in June and helped support dollar denominated interest rate contracts.

September Treasury bonds opened at 74-18, and fell to a low of 74-10 on selling by a large U.S. brokerage house, before recovering on the trade figures and suggestions that the contract may have been oversold. After a high of 74-31, bonds closed at 74-23, compared with 74-09, on profit taking.

September sterling deposits finished at the day's peak of 89.15, after opening at the day's low of 89.01, as expectations increased for another early cut in U.K. bank base rates.

Gilt futures weakened however, as dealers suggested the price now discounts all the good news likely on interest rates for some time.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.68	91.71	91.58	91.61
Dec	91.20	91.22	91.11	91.13
March	90.76	90.78	90.67	90.69
June	90.35	90.36	90.26	90.28
Sept	89.99	—	—	89.93

Est. volume 7,972 (4,304)
Previous day's open int. 19,350 (19,128)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	89.15	89.15	89.01	88.99
Dec	89.80	89.85	89.77	89.77
March	89.90	89.97	89.90	89.91
June	89.85	89.92	89.85	89.90
Sept	89.85	89.85	89.85	89.90

Est. volume 3,669 (3,921)
Previous day's open int. 6,652 (7,053)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	113-17	113-25	113-10	113-23
Dec	113-22	113-27	113-27	113-28
March	114-03	—	—	114-08

Est. volume 2,160 (2,199)
Previous day's open int. 3,828 (3,829)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −22 to −12 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4200	1.4215	1.4125	1.4250
Dec	1.4115	—	—	1.4155
March	1.4070	—	—	1.4100

Est. volume 189 (276)
Previous day's open int. 3,053 (3,022)

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3565	0.3566	0.3541	0.3563
Dec	0.3597	—	—	0.3596

Est. volume 50 (179)
Previous day's open int. 285 (288)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4374	0.4374	0.4351	0.4389

Est. volume 3 (8)
Previous day's open int. 187 (181)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4232	0.4225	0.4213	0.4227

Est. volume 0 (4)
Previous day's open int. 167 (165)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	126.65	126.20	124.80	126.10
Dec	126.45	—	—	125.90

Est. volume 465 (991).
Previous day's open int. 1,547 (1,491)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	74-23	74-31	74-10	74-09
Dec	73-22	—	—	73-08
March	72-22	—	—	72-08

Est. volume 3,055 (1,323)
Previous day's open int. 2,598 (2,291)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	74-26	74-31	74-16	74-17
Dec	73-24	73-29	73-14	73-14
March	72-25	72-29	72-17	72-15
June	71-28	72-00	71-28	71-23
Sept	71-03	71-06	71-02	70-29
Dec	—	—	—	70-06
March	—	—	—	69-17
June	—	—	—	69-00
Sept	—	—	—	—
Dec	—	—	—	67-14
March	—	—	—	67-12

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.72	92.74	92.67	92.64
Dec	92.36	92.38	92.32	92.28
March	91.99	91.99	91.96	91.91
June	91.58	91.62	91.58	91.52
Sept	—	91.27	—	91.23
Dec	90.97	90.97	90.97	90.93
March	—	—	—	90.68
June	—	—	—	90.41

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.02	92.03	91.96	91.91
Dec	91.56	91.68	91.53	91.43
March	—	91.08	91.08	91.01
June	—	90.66	—	90.61

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	91.68	91.70	91.62	91.57
Dec	91.18	91.21	91.12	91.09
March	90.74	90.76	90.70	90.65
June	90.34	90.34	90.28	90.26
Sept	89.96	89.96	89.91	89.96
Dec	89.61	89.61	89.57	89.55
March	—	89.28	—	89.24
June	—	88.98	—	88.94

STERLING (IMM) $e per £

	Latest	High	Low	Prev
Sept	1.4165	1.4280	1.4105	1.4180
Dec	1.4100	1.4120	1.4025	1.4100
March	1.4000	1.4090	1.3990	1.4050
June	—	1.4080	1.3975	1.4010
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	73-20	73-26	73-10	73-25
Dec	73-01	73-05	73-00	73-03
March	—	—	—	—
June	71-24	71-29	71-24	72-07
Sept	—	—	—	71.05

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	1985 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99 11/16	97¾	Treas 8¼pcCnv '85	99 11/16xd	....	0.78	12.11
101 5/16	99 3/16	Exch. 12¼pc 1985	100¼	....	12.22	11.00
103 1/16	99 3/16	Exch. 11¾pc '86	100½xd	....	11.69	10.83
99¼	97 1/16	Treas. 10pcCnv 1986	99⅝	....	10.06	10.86
95⅝	92¼	Treas 3pc 1986	95⅝	+⅛	3.14	8.75
100	97½	Exch. 10½pc Cv '86	99 13/16	+ 1/16	10.52	10.66
101⅞	99¼	Treas 12pc 1986	101⅛	+ 1/16	11.87	10.55
98¼	94¾	Treas 8¼pc 1984-86‡‡	98¼	....	8.65	10.47
105 5/16	102 1/16	Exch. 14pc 1986	103 13/16	....	13.49	10.57
93½	87¾	Exch. 2½pc 1986	93½	....	2.67	7.79
104 3/16	101¾	Exch. 13¼pc 1987	103 3/16xd	....	12.79	10.54
99 5/16	96⅝	Treas 10¼pcCv '87	99 3/16xd	....	10.29	10.55
91 11/16	85½	Exch 2½pc 1987	91 11/16xd	+ 3/16	2.72	8.16
99 13/16	96¾	Exch. 10½pc 1987	99¾	− 1/16	10.53	10.62
94	89	Funding 6½pc '85-87‡‡	94	+ 1/16	6.91	10.30
99	95½	Treas. 10pc 1987	99	....	10.10	10.57
90 1/16	84¾	Treas 3pc 1987	90 1/16	....	3.32	8.40
102 11/16	99¼	Treas. 12pc 1987	102½	− 1/16	11.71	10.66
94 5/16	90¼	Treas 7¾pc 1985-88‡‡	94 5/16xd	+ 1/16	8.20	10.26
99¼	95¼	Exch 10½pc '88	99¼	....	10.53	10.58
97¾	93¼	Treas 9¾pc Cv '88	97¾	....	9.97	10.66
86½	80	Transport 3pc '78-88	86 7/16	− 1/16	3.47	8.32
96⅝	92½	Treas. 9½pc '88	96 9/16	− 1/16	9.84	10.76
102⅞	97½	Treas 11½pc 1989	102½xd	....	11.23	10.68
96 7/16	90½	Treas 9½pc Cnv. '89	96 7/16	+ 1/16	9.85	10.66
81 9/16	79	Treas 3pc 1989	81 9/16	+ 1/16	3.68	8.87
99⅝	94	Treas 10½pc 1989	99⅝	....	10.57	10.68
97⅞	92	Exch 10pc 1989	97⅞xd	+ 1/16	10.22	10.67
101	95	Exch 11pc 1989	101	+ 1/16	10.89	10.66
85¼	79	Treas 5pc 1986-89	85¼	+ 1/16	5.87	9.30
108 1/16	103¼	Treas 13pc 1990‡‡	108 1/16	+ 1/16	11.99	10.56
101⅝	96 11/16	Exch 11pc 1990‡‡	50 15/16xd	+ 3/16	10.82	10.53
108¼	100¾	Exch. 12½pc 1990	106 1/16	+ 1/16	11.76	10.72

Five to Fifteen Years

Over Fifteen Years

Undated

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HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Mammet Hldgs 10p	35		—	—	—	—
328	202	Man. Ship Can. £1	310	+3	5.5	3.5	2.5	16.3
104	71	Marley	73	–1	3.75	2.2	7.3	8.8
107	52	Marling Ind. 10p	86	–1	[illegible]	♦	2.2	♦
74	36	Marshall L'ay. 'A'	65	+2	2.4	4.9	5.3	4.7
77	58	Marshall's Universal	58	–1	2.0	1.4	4.9	18.4
86	78	Do. 7¼pcCnvRedPf £1	82		7¼%	—	13.1	—
22	22	Martin-Black	22		—	—	—	—
197	£81	Matheson 7¼%	£95		Q7¼%	2.3	8.5	—
35	26	Maxiprint 1p	29		—	—	—	—
477	375	Metal Box £1	443	+5	17.25	3.1	5.6	6.7
170	123	Metal Closures	123		6.7	2.6	7.8	7.7
17	9	Metal Sciences 2½p	9	–1	—	—	—	—

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
210	177	Central T.V. N V 50p	185		10.5	2.3	8.1	7.7
180	170	Chrysalis	180		6.75	1.3	5.3	14.8
52	7	Entertain Prod 5p	7		82.25	2.1	45.9	1.2
78	50	Fairline Boats 10p	70		12.63	2.6	5.4	10.0
304	228	First Leisure £1	296		16.5	2.6	3.2	13.7
69	51	GB4 Group 5p	56½	+1½	—	—	—	59.0
32	25	Grampian TV 'A' 10p	25		11.67	♦	9.5	♦
145	117	HTV Non Vtg.	140		7.0	2.9	7.1	6.3
148	95	Horizon	102	+3	4.4	3.6	6.2	4.5
184	90	Insight	170	+4	2.5	6.3	2.1	10.5
134	102	Intasun 10p	118	–2	4.8	3.1	5.8	6.4

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Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
350	117	Centennial Min's.	122	+5	—	—	—
128	65	Colby Res Corp.	65		—	—	—
550	325	Cons. Murch. 10c	330		Q100c	1.4	12.0
40	24	Eenex Inc. Ir10p	24		—	—	—
215	115	Hampton Areas 10p	123	+8	3.25	♦	4.1
260	135	Highwood Res.	160	+5	—	—	—
£22½	£17½	Homestake Mining $1	£19¾	+⅛	Q20c	—	7.5
310	190	McFinley Red Lake	230		—	—	—
300	195	Musto Explorations	290	+20	—	—	—
55	23	New Sabina Res C$1	46	+1	—	—	—
375	245	Northgate C$1	312		—	—	—
685	535	RTZ	545	+2	20.0	2.7	5.2
£146½	£136½	Do. 9½pcLn '95-2000	£119	+1½	Q9½%	14.0	8.0
£14½	£10	Tara Expin $1	£10⅝		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∮ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ∮ Forecast dividend, cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✠ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	96		Arnott	230	
Craig & Rose £1	700		CPI Hldgs.	88	
Finlay Pkg. 5p	61		Carroll Inds.	139	
Higsons Brew	295		Dublin Gas	72	+2
Holt (Jos) 25p	720		Hall (R. & H.)	56	
IoM Stm. £1	85		Heiton Hldgs.	19	+1
IRISH			Irish Ropes	48	
Fund 11¾% 1988	£101⅛		Jacob (W. & R.)	88	
Nat. 9¾% 84/89	£97⅝		Unidare	87	
Fin. 13% 97/02	£111	–¼			

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LONDON STOCK EXCHANGE

MARKET REPORT

Hope of further small cut in base rates underpins equities and Gilt-edged securities

Account Dealing Dates

*First Dealings	Option Declara-tions	Last Dealings	Account Day
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

Hopes that the trend towards cheaper money would continue underpinned London stock markets yesterday. Easier period rates in UK money markets and sterling's resilience in the wake of Monday's reduction in bank borrowing charges together with the prospect of a cut in Building Societies' mortgage rates from September were supporting influences. Dealers were also hoping that the next set of money supply figures, due to be announced on Tuesday, would be more favourable.

Business started slowly in the two principal market areas with traders and investors alike showing caution over Wall Street's unexpected setback overnight. Details of the Government's £450m sale of its remaining 48.8 per cent stake in Britoil 243m shares are to be offered at 185p, payable 100p per share on application, and that the underwriting was in progress, failed to disturb sentiment. The subsequent announcement of NatWest's interim results, however, did check the market's progress.

The banking group's profits of £354m fell well short of highest estimates and NatWest dipped sharply, dragging the other main clearers down in sympathy. Although all four banks recovered when NatWest later attributed much of the shortfall on analysts' forecasts to the impact of exchange rate differentials, leading industrial shares could not regain their former momentum. For much of the afternoon they marked time and the FT Ordinary share index finally settled 3.6 up for a two-day gain of nearly 12 points at 936.0.

Government securities also improved initially with the accent on shorter and medium-life maturities. Yield considerations and falling short-term interest rates were dual stimulants and selected stocks rose ⅜ before easing from the day's best. Longer-dated Gilts were unusually neglected and often shed early improvements to close with scattered net losses. News of last month's poor U.S. home sales and the U.S. Commerce Secretary's repeated view that the dollar must drop hardly affected its relationship with sterling, which went lower against leading Continental currencies.

NatWest disappoints

NatWest's 20 per cent interim profits increase to £354m disappointed — brokers forecasts had ranged as high as £460m — and the shares immediately dropped to 648p. However, buyers appeared at the lower levels and helped them recover to finish at 65p, but still 25 down on balance. Other clearers reacted sharply in sympathy and were showing falls of around 25 at one stage before they too rallied to close well off the bottom. Barclays, at 375p, and Midland, at 390p, the next to report half-year figures tomorrow, cheapened 10 and 5 respectively, while Lloyds finished 8 off at 395p, after 380p; Lloyds will bring the season to a close on Friday. Elsewhere, perennial bid favourite First National Finance Corporation continued firmly, rising 7 to 112p, after 114p, in response to a broker's favourable circular; the rise was also accompanied by vague talk of a bid from Bates. Henry Ansbacher, meanwhile, softened a couple of pence to 52p in the wake of the stormy annual general meeting.

C. E. Heath improved 6 more at 613p, with sentiment still encouraged by Monday's announcement that its Australian subsidiary had been chosen as the major private sector agency within the Government's new workers laws which starts operations on September 1.

Allied-Lyons touched 226p prior to closing a penny dearer at 224p following a Press report that Australian group Elders had built up a near 4 per cent stake in the company. Bass, a dull market recently on worries about the impact of the strike at its Runcorn brewery, rallied 9 to 544p. Among regional breweries, Greene King attracted fresh demand at 184p, up 4, while Matthew Brown rose 5 to 390p.

Recently firm Buildings turned irregular. RMC continued to attract buyers at 394p, up 8, but Rugby Portland Cement came on offer following a broker's profits downgrading and fell 5 to 125p. Secondary issues remained selectively firm. Watts Blake Bearne attracted speculative support in a restricted market and gained 19 to a 1985 peak of 225p, while SGB put on 8 to 148p on revived bid hopes. Buyers continued to favour A. Monk, up 5 at 123p, and M. J. Gleeson, 6 higher at 220p. J. Jarvis slipped a couple of pence to 293p following poor annual results.

Debenhams react

Debenhams improved to 323p following news of the link-up with House of Fraser, but subsequently reacted on profit-taking to close a net 8 off at 313p; House of Fraser has lifted its stake in Debenhams to 17.52 per cent. Burton closed 6 higher at 450p, after 458p. Burton's bid for Debenhams closes on Friday. Some of the Stores sector's other current bid favourites made further progress. Harris Queensway firmed 4 more to 260p on lingering hopes of a bid from Woolworth, while J. Hepworth put on 6 to a 1985 peak of 222p.

Racal were the pick of quietly firm Electrical majors, rising 6 to 142p, after 144p, on the optimistic annual report. Cable and Wireless improved 5 at 520p, while British Telecom hardened a penny to 186p. Elsewhere, BSR reflected recovery hopes with a gain of 8 at 53p.

Buyers continued to support GKN ahead of next Wednesday's interim results and the shares added 4 more at 214p. Elsewhere in Engineerings, the prospect of cheaper borrowing costs helped Babcock rise 8 to 130p and RHP put on a similar amount to 86½p. McKechnie Bros., recently weak on concern about its South African interests, rebounded 6 to 121p, while Burgess Products also put on 6 to 144p and Thomas Robinson improved 8 at 98p. Hopes of a bid from Evered continued to bolster TI, a further 2 dearer at 340p, but comment on the disappointing interim figures left Bullough down 25 more making two-day relapse of 42 at 190p.

Food Retailers, already buoyant on consumer spending hopes, recorded further substantial gains following a broker's bullish circular. Tesco were again outstanding at 270p, up 10, while J. Sainsbury rose 8 to 328p and Associated Dairies firmed 4 to 144p. Buyers also favoured Argyll, up 5 more at 310p, and Hillards, 10 to the good at 350p.

BOC bought

BOC were outstanding among the firm miscellaneous Industrial leaders, rising 9 to 281p and the 9 per cent convertible Loan 2001-06 gaining 9 points to £197 following good buying ahead of the third-quarter profits statement scheduled for August 8. Boots, still reflecting takeover chatter, moved up 4 to 194p and Hanson Trust added 3 at 193p. Elsewhere, Celtic Haven continued to draw strength from the recent encouraging trading statement and closed 7 to the good at 97p, while Charles Sharpe jumped 20 to 390p on revived demand in a thin market. Pearson rallied 7 to 312p and De La Rue advanced 20 to 775p. United Guarantee encountered speculative support and moved up 2½ to 24½p. Aaronson Bros, on the other hand, fell 7 to 98p in reaction to the disappointing interim results and Whitecroft declined 10 to 136p in the wake of the annual general meeting and news of the resignation of director, Mr C. T. Burnett. The dividend omission and £1.36m annual deficit depressed Business Computers which dropped to a 1985 low of 17p before closing 4 down on balance at 21p.

Capital TV Facilities and Crown International Products were suspended at 50p and 100p respectively at the companies' request pending the outcome of merger discussions.

Kenning provided a firm feature in Motors as stake build-up rumours lifted the shares to 114p at one stage before a close of 113p, up 3 on balance. Lex Service reflected recovery prospects with a rise of 5 at 189p, while recently firm Jaguar sustained a technical reaction of 5 to 252p.

Octopus Publishing, at 575p, encountered profit-taking and lost 10 of Monday's rise of 40 which greeted details of the agreed merger with Heinemann, a subsidiary of BTR. Bristol Evening Post, also a strong market the previous day following Kent Holding's acquisition of a 10 per cent stake in the group, dropped 25 to 470p.

Properties turned easier in the face of light profit-taking and the absence of further buying interest. Land Securities settled 4 off at 288p and MEPC gave up 5 to 273p. Hammerson A lost 10 at 435p and Stock Conversion 5 at 510p. Elsewhere, Regalian attracted renewed support on London dockland development prospects and rose 8 to a 1985 peak of 218p.

Sentiment in South Africans was upset by vague talk, thought to have emanated from New York overnight, that the South African authorities may impose foreign exchange controls following the substantial weakness in the Rand and recent heavy selling of South African securities. Gold Fields Properties fell away to close 10 down at a year's low of 100p. Barlow Rand were quoted 5 easier at 375p in the wake of news that the company is seeking a Johannesburg Stock Exchange listing for its property management subsidiary Barprop, via rights issues of Barprop Ordinary shares and Loan stock to holders of Barlow Rand Ordinary and Preferred Ordinary shares.

Imperial Group, which last week reopened discussions with Marriott Hotels of the U.S. about the possible sale to Marriott of its Howard Johnson subsidiary, firmed 3 to 174p pending developments.

Murray Growth Trust closed unchanged at 103p, after 102p, following the net asset value-based bid worth just over 102p per share from Merchant Navy Pensions Investment.

BP edge higher

The oil sector remained subdued with interest focussed on the details of the Government's sale of its remaining 48.8 per cent holding in Britoil at 185p a share. Britoil shares eased back to close a net 5 easier at 200p. BP, on the other hand, picked up on persistent small buying interest and settled 8 firmer at 525p. Among secondary issues Clyde Petroleum moved ahead a further 5 to 81p, as did Falcon Resources, 65p and Sun (UK) Royalty, 145p. Pict Petroleum hardened a couple of pence to 105p following the interim figures.

Golds lose ground

The rally in South African gold and related markets ground to a halt following developments in New York markets on Monday evening. A firm market in London on Monday the sector abruptly turned easier in the U.S. following rumours that the recent steep slide in the South African Rand and widespread condemnation of the South African Government's imposition of a State of Emergency could prompt the latter into reintroducing foreign exchange controls. The Gold sector closed sharply lower in New York and jobbers marked prices down at the outset of London trading. Persistent small selling ensued and the majority of issues settled at or around the day's lowest levels. Bullion also failed to follow up its good showing in London on Monday. The metal price performed disappointingly in the U.S. overnight, where it eased to close at $324.20 and traded at around that level in London throughout the session, closing a net $2.5 off at $325.75 an ounce.

The Gold Mines index ran back 6.2 to 335.9. Falls in the leading Golds ranged up to £1⅛ as in Randfontein, £63¾, and Vaal Reefs, £55⅞, but were commonly in the region of ½ to ¾. Notable weak spots among the cheaper-priced issues included Blyvoor, 24 down at 405p, and Stilfontein, which dipped 33 to 528p.

South African Financials were similarly unsettled by the American-inspired rumours but losses in the sector were generally of a modest nature. De Beers eased a few pence more to a year's low of 335p, while similar levels for 1985 were also recorded by Anglo American Corporation, 10 off at 910p, and Gold Fields of South Africa, 933p. Hampton Areas, on the other hand, staged a good rally and moved up 8 to 123p.

A neutral performance by overnight Sydney and Melbourne markets, coupled with the easier trend in bullion, encouraged light profit-taking in many "down-under" golds but Gold Mines of Kalgoorlie remained a firm market, at 552p, up 12. Central Norseman rose 5 more to 493p.

FINANCIAL TIMES STOCK INDICES

	July 30	July 29	July 26	July 25	July 24	July 23	year ago
Government Secs.	83.87	83.85	83.46	83.14	83.23	83.29	73.95
Fixed Interest	88.74	88.63	88.50	88.30	88.28	88.26	80.65
Ordinary ♥	936.0	932.4	924.1	911.0	926.0	931.1	790.3
Gold Mines	335.9	342.1	332.0	330.9	368.3	386.7	497.3
Ord. Div. Yield	4.98	4.99	5.02	5.08	5.01	5.03	5.21
Earnings, Yld. % (full)	12.29	12.44	12.53	12.68	12.50	12.53	12.21
P/E Ratio (net) (*)	10.02	9.82	9.75	9.63	9.77	9.73	9.87
Total bargains (Est.)	20,295	20,241	20,940	19,873	20,328	19,500	13,451
Equity turnover £m.	—	341.67	576.09	377.62	279.88	238.98	158.86
Equity bargains	—	11,238	19,093	13,546	13,282	15,343	11,834
Shares traded (mil)	—	164.9	274.9	184.4	139.9	158.3	90.7

♥ 10 am 932.3. 11 am 933.8. Noon 936.1. 1 pm 935.7. 2 pm 935.4. 3 pm 935.1. 4 pm 935.6.

Day's High 937.9. Day's Low 932.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.67.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low		July 29	July 26
Govt. Secs.	83.87 (30/7)	78.09 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	139.8	110.9
Fixed Int.	88.74 (30/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	72.8	183.7
					Value	390.6	1164.4
Ordinary	1024.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)	5 day Average Gilt Edged Bargains	134.0	141.8
Gold Mines	556.8 (16/4)	330.2 (25/7)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	96.6	103.2
					Value	751.3	713.7

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Debenhams	22	321	+13
Yellowhammor	21	118	—
Siebe (nil-pd)	20	79pm	—
Tomkins (F.H.)	14	201	+ 3
ICI	13	662	− 0
Allied-Lyons	10	223	+ 3
BOC	10	272	+ 7
Beecham	10	325	+ 2
Br. Aerospace	10	182	+14
RTZ	10	543	+ 5
Royal Insce.	10	690	+ 7
GKN	8	210	+ 7
NatWest Bank	9	690	− 5
Pentlands Inds.	8	270	+30

† Partly-paid.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	31	45
Corpns., Dom. and Foreign Bonds	37	0	41
Industrials	303	218	950
Financial and Prop.	59	163	336
Oils	13	23	90
Plantations	0	4	14
Mines	42	55	82
Others	29	51	158
Totals	517	545	1,715

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (67)

BRITISH FUNDS (21)

INTL. BANK & O'SEAS GOVT. STLG. ISSUES (9)

African Dev. Bk. 11½pcLn 2010; Do. 10¼pc 2004; Asian Dev. Bk. 10¼pcLn 2009; Malaysia 12½pcLn 1988; Australia 11¼pc Ln 2015; NZ 11½pc 2008; Do. 11½pc 2014; Euro. Inv. Bk. 11pcLn 2002; Sweden 11pcLn 2012

CORPORATION LOANS (6)

Birmingham 13½pc 1989; Lon. Corp. 9½pc 1984/85; Herts. 8½pc 1985/87; LCC 5½pc 1985/87; Leeds 13½pc 2006; Do. 3pc '20 Aft.

COMMONWEALTH & AFRICAN LOANS (1)

NZ 7½pc 1988/92

LOANS (6)

N'wide Bldg. Soc. 12½pc 24.2/86; Do. 12½pc 12/3/86; Do. 12½pc 31/3/86; Do. 12½pc 9/8/86; Do. 12½pc 21/4/85; Agric. Mt. 5pc '59.69

FOREIGN BONDS (1)

Hydro-Quebec 15pc 2011

BANKS (1)

First Natl. Fin.

BREWERS (1)

Greene King

BUILDINGS (3)

Laing (J.); Watts Blake Bearne; Sharpe & Fisher

STORES (5)

Grattan; Woolworth; Harris Queensway; Do. 8½pcLn 2000; Time Products

ELECTRICALS (1)

Breville Europe

ENGINEERING (1)

Robinson (T.)

FOODS (2)

Cullen's Hldgs.; Dee Corp.

INDUSTRIALS (3)

European Ferries Prf.; Williams Hldgs. 3pc Cum Cnv.Pf.; Photo-Me Intl.

PROPERTY (3)

Lon. Shop Prop.; Town Ests. 7½pc Cnv. 2014; Regalian

TEXTILES (1)

Beales (J.)

OILS (1)

ELF U.K. 12½pcLn 1991

MINES (1)

Metana Minerals

NEW LOWS (98)

AMERICANS (18)

CANADIANS (2)

BANKS (1)

BUILDINGS (1)

CHEMICALS (1)

STORES (1)

ELECTRICALS (10)

ENGINEERING (1)

FOODS (1)

INDUSTRIALS (5)

LEISURE (2)

MOTORS (1)

PAPER (2)

SHIPPING (1)

SOUTH AFRICANS (2)

TEXTILES (2)

TOBACCOS (1)

TRUSTS (28)

OILS (4)

OVERSEAS TRADERS (1)

MINES (13)

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues July 30 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon July 29 Index No.	Fri July 26 Index No.	Thurs July 25 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	495.86	+0.1	11.42	4.55	11.03	10.16	495.14	490.01	483.30	464.28
2	Building Materials (22)	535.38	+0.1	12.39	4.95	9.92	11.86	534.62	526.21	522.85	427.81
3	Contracting, Construction (29)	815.85	+0.4	12.28	5.06	10.51	17.10	812.22	806.38	806.35	611.79
4	Electricals (14)	1320.16	—	12.12	5.59	10.47	31.82	1320.36	1297.15	1297.77	1433.79
5	Electronics (38)	1331.41	+0.4	11.44	3.64	11.57	26.92	1326.61	1318.23	1292.49	1647.39
6	Mechanical Engineering (62)	271.51	−0.3	12.05	5.18	10.11	5.50	272.31	266.39	263.85	238.15
8	Metals and Metal Forming (7)	182.33	+0.5	13.61	8.52	9.23	4.13	181.48	177.27	179.22	175.93
9	Motors (16)	151.71	—	14.22	5.52	8.73	3.20	151.64	149.76	149.44	113.65
10	Other Industrial Materials (17)	869.18	+0.1	8.06	3.85	15.02	15.74	868.23	869.46	842.93	603.79
21	CONSUMER GROUP (177)	647.93	+0.7	9.89	4.03	12.55	10.70	643.31	635.62	629.13	480.58
22	Brewers and Distillers (24)	618.58	+0.6	11.36	4.62	11.12	9.46	614.63	610.85	604.77	488.12
25	Food Manufacturing (21)	479.90	+0.4	12.32	5.08	10.29	12.28	478.17	473.27	471.62	374.02
26	Food Retailing (14)	1592.71	+2.3	5.66	2.62	23.36	13.12	1557.06	1521.64	1491.65	1186.29
27	Health and Household Products (9)	1017.07	+0.4	6.61	2.91	17.76	11.26	1013.47	1003.60	990.16	794.69
29	Leisure (22)	606.61	—	9.49	5.44	13.75	13.82	606.89	597.38	591.46	533.55
32	Newspapers, Publishing (12)	1741.57	—	8.83	4.44	14.57	37.10	1740.65	1719.06	1718.51	1203.68
33	Packaging and Paper (13)	330.88	+0.2	10.70	4.50	11.09	6.10	330.25	326.48	329.51	222.58
34	Stores (42)	655.55	+1.0	7.75	3.29	17.48	9.30	648.92	638.07	628.49	418.23
35	Textiles (17)	301.90	−0.6	15.67	5.32	7.24	7.90	303.80	300.18	299.90	248.04
36	Tobaccos (3)	772.64	+0.4	18.82	5.57	5.99	17.44	769.38	769.95	767.49	623.41
41	OTHER GROUPS (101)	656.89	+0.5	9.71	4.31	13.33	11.49	653.42	650.50	644.87	420.26
42	Chemicals (19)	664.16	+0.4	14.00	5.70	8.93	17.10	661.41	662.28	657.14	559.47
44	Office Equipment (4)	188.14	—	8.49	4.68	14.04	3.64	188.14	187.36	186.31	128.78
45	Shipping and Transport (12)	1119.00	+0.6	8.83	4.70	14.06	25.71	1112.72	1102.96	1099.68	822.35
46	Miscellaneous (64)	800.02	+0.7	7.89	3.98	15.46	10.87	794.71	787.88	798.32	577.50
48	Telephone Networks (2)	849.82	+0.5	8.80	3.82	15.18	13.20	845.40	842.20	827.38	0.0
49	INDUSTRIAL GROUP (483)	617.10	+0.5	10.21	4.23	12.34	10.95	613.86	608.00	601.54	471.16
51	Oils (17)	1113.49	+0.6	16.80	7.54	7.32	38.38	1107.10	1108.39	1094.26	949.23
59	500 SHARE INDEX (500)	658.76	+0.5	11.08	4.67	11.31	13.16	655.25	649.93	642.84	511.14
61	FINANCIAL GROUP (115)	466.19	−0.7	—	5.09	—	10.08	469.52	465.42	460.94	370.51
62	Banks (6)	472.71	−2.3	16.34	6.15	8.74	11.71	483.92	484.37	473.82	355.58
65	Insurance (Life) (9)	719.65	—	—	4.51	—	14.71	719.46	712.39	714.71	507.14
66	Insurance (Composite) (7)	364.47	+0.6	—	5.36	—	8.53	362.29	358.66	358.48	279.98
67	Insurance (Brokers) (7)	1034.51	+0.8	9.07	4.00	14.73	20.10	1025.98	1018.59	1009.26	779.27
68	Merchant Banks (11)	225.24	−0.4	—	4.98	—	4.92	226.13	225.14	228.11	185.86
69	Property (50)	625.39	−1.0	5.93	3.80	22.62	9.62	631.81	620.77	605.98	559.42
70	Other Financial (25)	263.88	−0.2	9.32	6.15	13.11	7.37	264.39	261.32	261.65	235.77
71	Investment Trusts (107)	558.92	−0.7	—	3.95	—	9.56	563.09	561.44	561.61	466.27
81	Mining Finance (3)	250.82	—	12.94	6.11	8.97	5.36	250.95	249.51	249.91	263.49
91	Overseas Traders (14)	606.19	−0.2	12.48	6.52	9.63	20.59	607.48	601.54	603.58	512.18
99	ALL-SHARE INDEX (739)	603.46	+0.3	—	4.74	—	12.21	601.91	597.12	591.23	474.83

	Index No.	Day's Change	Day's High	Day's Low	July 29	July 26	July 25	July 24	July 23	Year ago
FT-SE 100 SHARE INDEX	1252.3	+3.4	1253.9	1247.3	1248.9	1239.7	1221.7	1236.2	1233.1	1018.1

FIXED INTEREST

	PRICE INDICES	Tues July 30	Day's change %	Mon July 29	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	119.23	+0.07	119.14	—	6.84
2	5-15 years	132.97	−0.01	132.98	—	8.31
3	Over 15 years	140.32	−0.09	140.45	—	6.87
4	Irredeemables	152.52	+0.08	152.39	—	7.27
5	All stocks	131.01	+0.01	131.00	—	7.65
6	Debentures & Loans	113.48	+0.18	113.27	—	6.08
7	Preference	79.77	—	79.77	—	3.64
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.50	−0.01	110.51	—	1.95

	AVERAGE GROSS REDEMPTION YIELDS		Tues July 30	Mon July 29	Year ago (approx.)
	British Government				
1	Low	5 years	9.95	9.94	11.99
2	Coupons	15 years	10.09	10.08	11.60
3		25 years	10.10	10.09	10.91
4	Medium	5 years	10.74	10.77	13.06
5	Coupons	15 years	10.44	10.42	12.12
6		25 years	10.04	10.00	11.29
7	High	5 years	10.87	10.88	13.11
8	Coupons	15 years	10.58	10.57	12.24
9		25 years	10.11	10.09	11.30
10	Irredeemables†		9.92	9.91	10.78
11	Debs &	5 years	11.35	11.38	12.94
12	Loans	15 years	11.26	11.29	13.04
13		25 years	11.18	11.20	13.06
14	Preference†		12.43	12.43	13.43
15	Inflation rate	5%	3.64	3.63	4.01
16		10%	3.44	3.44	3.82

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$300	3	97 B	10	37	—	—	$320
[illegible]								

TOTAL VOLUME IN CONTRACTS: 22,301

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net div.	Times covered	Gross yield	P/E ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
165	F.P.	13/2	180	168	Baker Perkins 50p	174	
180	Nil	—	62pm	40pm	Beatwood 15p	60pm	
100	F.P.	30/8	102	93	‡Cobra Emerald Mines	96	
0	Nil	—	1pm	¾pm	Dares Est. 8 30	¾pm	
280	Nil	—	48pm	26pm	Extel	38pm	
185	100	28/10	123	99	Hanson Trust	107	+2
210	Nil	4/9	410pm	385pm	Hazlewood Foods 90p	390pm	+5
50	Nil	—	9½pm	½pm	Nickling Pentecost 60p	½pm	
295	F.P.	9/8	323	297½	Mills & Allen	277	
77	Nil	28/8	¾pm	½pm	New Cavendish 5p	½pm	
120	Nil	30/8	8pm	0pm	Prestwich	0pm	
400	Nil	—	84pm	65pm	Siebe	63pm	−14
500	F.P.	20/8	700	643	Union Discount £1	680	
A$1.2	Nil	—	5pm	1pm	♥Woodside Pet. A$0.50	1pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule (4) (4) (a).

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Call options were taken out in Turner and Newall, S. R. Gent, Elandsrand, Vaal Reef, Exco, STC, Buckleys Brewery, Polly Peck and Folkes Group. A put was arranged in Reckitt and Colman, while doubles were transacted in Barker and Dobson and Blackhill Minerals.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Aaronson Bros.	98	− 7
Barclays	375	−10
Britoil	200	− 5
Burmah Oil	280	− 2
Burton	450	+ 6
Commercial Union	211	+ 3
De La Rue	775	+20
Debenhams	313	− 8
Jaguar	252	− 5
Lloyds Bank	395	− 8
Midland Bank	390	− 5
NatWest Bank	665	−25

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*593)	460	83	—	—	6	—	—
	500	45	60	68	10	22	97
	550	16	33	38	40	47	30
	600	0	10	—	66	68	—
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*163)	140	24	—	—	1½	—	—
	160	0	12	17	3	7	9
	180	1	3	9	90	22	63
P. & O. (*360)	330	30	43	60	9½	0½	10
	360	10	90	60	10	18	22
[illegible]							

July 30 Total Contracts 9,038. Calls 6,998. Puts 2,038

* Underlying security price

WORLD STOCK MARKETS

AUSTRIA

July 30	Price Sch%	+ or —
Creditanstalt	546	+2
Goesser	412	—1
Interunfall	1,500	+20
Laenderbank	552	—1
Perlmooser	555	
Steyr-Daimler	170	—5
Veitscher Mag	535	—5

BELGIUM/LUXEMBOURG

July 30	Price Frs.	+ or —
B.B.L.	2,050	+10
Banq. Gen Lux	6,500	
Banq. Int. A. Lux	5,020	
Bekaert B	5,850	
Ciment CBR	2,505	+5
Cockerill	208	+1
Delhaize	8,300	—600
EBES	2,915	
Electrobel	8,590	—10
Fabrique Nat	1,975	+10
GB Inno BM	5,670	+10
GBL (Brux)	1,860	+10
Gevaert	3,990	—10
Hoboken	5,410	—40
Intercom	5,300	+6
Kredietbank	8,800	—100
Pan Hldgs	10,300	
Petrofina	6,700	—100
Royale Belge	12,250	
Soc. Gen. Banq	3,345	+15
Soc. Gen. Belge	1,610	—8
Sofina	7,320	+60
Solvay	4,500	
Stanwick Intl	1,400	
Tractions	5,729	—55
UCB	6,090	
Wagon Lits	5,025	—10

DENMARK

July 30	Price Knr %	+ or —
Andelsbanken	342	
Baltic Skand	725	+10
CopHandelsbank	338	+1
D. Sukkerfab	615	
Danske Bank	868	+1
De Danske Luft	1,250	
East Asiatic	243	—1
Forenede Brygg	815	
Forenede Damp	168	
GNT Hldg	440	+1
I.S.S.B.	489	
Jyske Bank	780	
Novo Ind's	1,725	—20
Privatbanken	535	+1
Provinsbanken	388	
Smidth (F.L.) B	284	+2
Sophus Berend	1,135	—10
Superfos	490	+6

FRANCE

July 30	Price Frs.	+ or —
Emprunt 4½% 1975	1,681	—14
Emprunt 7% 1973	6,275	+40
Accor	258.1	—3.9
Air Liquide	592	—18

GERMANY

July 30	Price Dm.	+ or —
AEG Telef	125	—1.5
Allianz Vers	1,296	—57
BASF	211.8	—1.6
Bayer	211.5	—2.5
Bayer-Hypo	350	—8
Bayer-Verein	375	—10
BHF-Bank	306	—1
BMW	389	—6
Brown Boveri	231	
Commerzbank	205.2	—4.5
Cont'l. Gummi	141	—5.2
Daimler-Benz	819.4	—5
Degussa	550	—7
D'sche Babcock	150	—2
Deutsche Bank	555.5	—4
Dresdner Bank	261.5	—5.5
GHH	159	—5.5
Hochtief	510	+5
Hoechst	211.2	—1.8
Hoesch Werke	106.5	—1.1
Holzmann (P)	435	+1
Horten	184	+2.6
Hussel	319.8	
Karstadt	250	
Kaufhof	256.5	
KHD	278	—5
Kloeckner	60.5	—1
Linde	484xr	—8.5
Lufthansa	211	—1
MAN	160	+5
Mannesmann	185	—2.5
Mercedes Hld	727.5	—15
Metallgesell	250	—8.5
Muench Rueck	1,885	—45
Nixdorf	507.5	—11.5
Porsche	1,235	—10
Preussag	261	—6
Rhein West Elect	175	—0.6
Rosenthal	255	+2.5
Schering	449.5	—6.6
Siemens	591.5	—4.5
Thyssen	114.5	—1
Varta	818	—1.5
Veba	224	—1.8
V.E.W.	155	+1
Verein-West	330	—1
Volkswagen	289	—6

ITALY

July 30	Price Lira	+ or —
Banco Com'le	24,000	—497
Bastogi-IRBS	226.5	+3.2
B.I-Invest	4,950	+80
Centrale	31,90	—12
Credito Varesino	4,600	
Fiat	4,075	—24
Finsider	—	
Generali Assicur.	54,000	—800
Italcementi	47,120	+420
La Rinascente	850	—15
Montedison	2,015	—24
Olivetti	6,000	
Pirelli Co	6,258	—37
Pirelli Spa	5,018	—2
Saipem	5,944	+34
Snia BPD	3,320	—10
Toro Assic	17,100	—100
do Pref	12,650	+100

NETHERLANDS

NORWAY

July 30	Price Kroner	+ or —
Bergens Bank	145	
Borregaard	415	+1
Christiania Bank	140	—1
DenNorske Cred	146	+1
Elkem	128	—1
Kosmos	214	+1.5
Kvaerner	157.8	—1.8
Norsk Data	358	—9
Norsk Hydro	107.5	—1.6
Storebrand	280	+2.8

SPAIN

July 30	Price Pta%	+ or —
Bco Bilbao	350	—3
Bco Central	515	
Bco Exterior	201	
Bco Hispano	148	—8
Bco Popular	330	—11
Bco Santander	345	
Bco. Vizcaya	455	+5
Dragados	186.2	—8.8
Hidrola	77.5	—0.9
Iberduero	95.7	
Petroleos	130	
Telefonica	117	

SWEDEN

July 30	Price Kronor	+ or —
AGA	115	
Alfa-Laval B	188	—5
ASEA (Free)	510	
Astra (Free)	455	+6
Atlas Copco	107	
Cardo (Free)	241	
Cellulosa	125	
Electrolux B	283	
Ericsson B	250	—1
Esselte	360	
Mo och Domsjo	170	—1
Pharmacia	210	+1
Saab Scania Free	400	
Sandvik	390	—20
Skandia	336	—1
Skan Enskilda	52	
SKF	226	—2
St Kopparbergs	135	
Sonesson	159	
Sven Handlesbn	172	+8
Swedish Match	200	+9
Volvo B (Free)	253	

SWITZERLAND

July 30	Price Frs.	+ or —
Adia Intl	3,375	—55
Alusuisse	815	—5
Bank Leu	3,730	—25
Brown Boveri	1,650	—60
Ciba Geigy	3,380	—90
do. (Part Certs)	2,520	—46
Credit Suisse	9,975	—40
Elektrowatt	3,170	—80
Fischer (Geo.)	890	—5
Hoff-Roche PtCts	95,500	—200
Hoff-Roche 1/10	9,350	—200
Jacobs Suchard	6,625	—50
Jelmoli	2,675	—25
Landis & Gyr	1,910	—16
Nestle	6,680	—100
Oer-Buehrle	1,500	—15
Pirelli	356	—4
Sandoz (Br)	8,725	—175
Sandoz (PtCts)	1,385	—25
Schindler (Pt Cts)	840	—26
Sika	1,525	—45
Surveillance	6,235	—115
Swissair	1,335	—60
Swiss Bank	475	—9
Swiss Reinsce	12,850	—250
Swiss Volksbk	1,760	—30
Union Bank	4,825	—40
Winterthur	4,375	—100
Zurich Ins	6,500	—25

AUSTRALIA

July 30	Price Aust $	+ or —
ANZ Group	6.32	—0.02
Alliance Oil Dev	1.05	
Ampol Pet	1.95	+0.15
Ashton	1.20	—0.81
Aust. Cons. Ind	2.8	—0.1
Aust. Guarantee	9.75	—0.07
Aust. Nat. Inds	2.74	+0.02
APM	2.66	+0.12
Bell Group	8.0	—0.04
Bell Res	7.26	+0.06
Bond Corp Hldgs	1.55	+0.05
Boral	3.58	—0.02
Bougainville	2.15	
Brambles Inds	3.2	—0.1
Bridge Oil	2.45	—0.05
B.H. Prop	6.62	—0.02
CRA	6.12	—0.04
CSR	3.16	+0.02
Castlemaine Tys	7.54	—0.06
Coles (G.J.)	3.88	
Comalco "A"	9.12	
Consolidated Pet	0.29	
Costain Aust	1.75	
Dunlop Olympic	9.56	—0.04
Elders IXL	3.15	—0.05
Energ Res	1.66	—0.01

AUSTRALIA (continued)

July 30	Price Aust.$	+ or —
Gen. Prop. Trust	2.15	—0.05
Hardie (James)	3.13	+0.01
Hartogen Energy	2.90xc	—0.02
Herald W'ytimes	4.65	
ICI Aust	2.02	—0.01
Jimberlana F.P.	0.22	—0.01
Kia Ora Gold	0.14	
Lend Lease	7.12	+0.02
MIM	2.85	—0.05
Mayne Nickless	3.15	—0.05
Myer Emporium	3.15	—0.07
Nat. Aust. Bank	4.75	
News	6.5	
Nicholas Kiwi	2.0	
North Bkn Hill	2.3	
Oakbridge	1.28	+0.02
Pancontinental	1.96	+0.04
Pioneer Conc	1.84	+0.01
Poseidon	4.25	+0.08
Queensland Coal	1.75	—0.01
Reckitt & Colman	5.9	
Repco	1.29	
Santos	5.48	—0.04
Smith (Howard)	4.90	+0.05
Thos. Nationwide	2.10	—0.06
Tooth	6.0	
Vamgas	5.80	+0.02
Western Mining	4.25	
Westpac Bank	4.86	+0.01
Woodside Petrol	1.27	—0.01
Woolworths	3.35	+0.02
Wormald Intl	5.95	

HONG KONG

July 30	Price H.K.$	+ or —
Bank East Asia	23.4	—0.1
Cheung Kong	18.0	+0.1
China Light	15.0	—0.2
Evergo	0.81	—0.02
Heng Seng Bank	47.50	+0.25
Henderson Land	3.10	
HK China Gas	11.1	—0.1
HK Electric	8.75	—0.05
HK Kowloon Wh.	5.85	
HK Land	6.45	
HK Shanghai BK	7.90	+0.15
HK Telephone	10.0xc	
Hutchison Wpa	28.80	—0.2
Intnl. City	0.95	
Jardine Meth	19.6	
New World Dev	7.6	—0.1
Orient O'seas	9.17	+0.02
SHK Props	19.8	—0.9
Shell Elect	1.09	
Swire Pac A	26.7	—0.5
TV—B	8.0	—0.05
World Int. Hldgs	2.97	—0.03

JAPAN

July 30	Price Yen	+ or —
Ajinomoto	1,130	—50
Alps Electric	1,180	—90
Amada	749	—11
Asahi Chem	826	—14
Asahi Glass	805	—21
Bridgestone	651	—9
Canon	890	—11

JAPAN (continued)

July 30	Price Yen	+ or —
MHI	558	—15
Mitsui	435	—15
Mitsui Estate	887	—43
Mitsukoshi	608	—27
NGK Insulators	700	
Nihon Cement	350	—18
Nippon Denso	1,250	—30
Nippon Elect	904	—8
Nippon Express	481	—44
Nippon Gakki	1,090	—60
Nippon Kokan	152	—5
Nippon Oil	830	—30
Nippon Seiko	455	—4
Nippon Shimpan	675	—12
Nippon Steel	172	—6
Nippon Suisan	368	—10
NTV	10,800	
Nippon Yusen	310	—15
Nissan Motor	620	—2
Nisshin Flour	470	—3
Nisshin Steel	171	—6
Nomura	1,920	—90
Olympus	900	+10
Orient Leasing	2,650	—50
Pioneer	1,730	+10
Renown	800	—15
Ricoh	791	—21
Sankyo	1,090	—50
Sanyo Elect	401	—4
Sapporo	446	—15
Sekisui Prefab	760	—16
Seven-Eleven	8,200	
Sharp	777	+7
Shimadzu	635	
Shionogi	745	+9
Shiseido	1,090	—10
Sony	5,410	—120
Stanley	689	—3
S'tomo Bank	1,880	—120
S'tomo Elect	871	+7
S'tomo Marine	707	—65
S'tomo Metal	154	—7
Taihei Dengyo	590	—10
Taisei Corp.	328	—17
Taisho Pharm	1,090	—30
Takeda	800	+2
TDK	5,660	—100
Teijin	445	—5
Teikoku	639	—1
Tokio Marine	945	—50
TBS	885	—20
Tokyo Elect Pwr	2,080	—100
Tokyo Gas	219	—13
Tokyo Sanyo	910	—10
Tokyo Style	1000	—80
Tokyu Corp	485	—37
Toppan Print	800	—10
Toray	470	+4
Toshiba Elect	346	—2
TOTO	775	—24
Toyo Seikan	1,140	+90
Toyota Motor	1,140	—40
Victor	1,350	—30
Wacoal	782	+2
Yamaha	665	—4
Yamanouchi	2,970	—110
Yamazaki	806	—24
Yasuda Fire	606	—49
Yokogawa Bdge	736	—38

SINGAPORE

July 30	Price $	+ or —
Boustead Hldgs	1.54	—0.05
Cold Storage	2.68	+0.18
DBS	6.46	
Genting	5.9	
Haw Par. Bros	2.12	—0.05
Hong Leong Fin	2.59	—0.01
Inchcape Bhd	2.28	—0.02
Keppel Shipyard	1.33	—0.01

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30pm July 30

MONTREAL

Closing prices July 29

Total Sales 1,756,845 shares

Indices

NEW YORK

TORONTO

	July 30	July 29	July 26	July 25
MONTREAL Portfolio	138.24*	137.37	138.99	138.13

* Indicates pre-close figure

	July 30	July 29	July 26	July 25	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	933.5	934.7	934.8	941.3	935.7 (24/7)	715.3 (7/1)
Metals & Mins. (1/1/80)	552.8	550.8	549.8	559.4	583.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	94.89	98.01	97.46	98.93	105.73 (17/6)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2,325.40	2327.23	2322.60	2316.44	2327.23 (29/7)	2080.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	u	218.48	216.48	214.89	218.48 (26/7)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	213.2	215.2	-	216.0	223.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	121.4	122.9	123.40	123.20	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	461.88	465.82	469.32	470.82	502.62 (5/7)	382.30 (3/1)
Commerzbank (1/12/53)	1355.9	1367.7	1379.2	1384.1	1486.2 (5/7)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1686.24	c	1683.85	1682.86	1689.85 (22/7)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	353.03	354.05	351.86	347.83	359.03 (23/7)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12289.89	12581.42	12648.09	12647.03	13040.19 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1006.1	1044.30	1048.43	1044.80	1055.91 (8/7)	918.83 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	217.0	217.8	219.5	219.6	220.9 (8/7)	185.6 (3/1)
ANP-CBS Indust (1970)	184.0	185.2	185.8	185.7	186.8 (22/7)	147.8 (3/1)
NORWAY						
Oslo SE (4/1/83)	345.29	347.38	330.18	o	347.38 (29/7)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	773.86	777.45	778.44	771.76	852.85 (7/3)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	-	902.8	966.4	945.9	1140.6 (15/4)	836.1 (11/2)
JSE Indust (28/9/78)	-	986.3	988.2	878.8	1036.8 (17/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	101.85	111.78	110.78	c	117.41 (4/2)	101.88 (2/1)
SWEDEN						
Jacobsen & P (11/58)	1382.78	1363.56	1356.34	1350.48	1488.98 (11/2)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	467.6	466.8	467.0	467.0	469.1 (8/7)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	-	220.3	220.8	220.4	224.3 (17/7)	194.8 (4/1)

* Indicates pre-close figure ** Saturday July 20 Japan Nikkei Dow 12787.66 TSE 1042.05 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 10 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u Unavailable

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

LONDON

Chief price changes

(In pence unless otherwise indicated)

RISES

Ex 11% 1990	£101¾	+£⅝
BOC	281	+ 9
BSR Intl	53	+ 8
Babcock Intl	130	+ 8
Burgess Prod	144	+ 6
Celtic Haven	97	+ 7
Clyde Petrol	81	+ 5
Falcon Res	65	+ 5
First Natl Fin	112	+ 7
Hampton Areas	123	+ 8
Hepworth (J)	222	+ 6
McKechnie Bros	121	+ 8
RHP	86½	+ 8½
Racal Elects	142	+ 6
SGB	148	+ 8
Sainsbury (J)	328	+ 8
Tesco	270	+10
W B Bearne	225	+19

FALLS

Aaronson Bros	98	— 7
Barclays	375	—10
Bus Comp Sys	21	— 4
Debenhams	313	— 8
MEPC	273	— 5
NatWest Bank	665	—25
Whitecroft	136	—10

WORLD ECONOMIC INDICATORS every Monday in the Financial Times

Prices at 3pm, July 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.56	2.7	14	143	21¼	21	21	−¾
17⅜	9¾	AGS			13	91	16⅜	16⅛	16¼	
16½	9⅝	AMCA				29	12½	12¼	12¼	−⅜
21½	13	AMF	.25j		34	837	13⅝	13⅛	13⅛	−½
13⅝	12⅞	AMF wd				1433	13⅜	13¼	13⅜	
50¾	24⅞	AMR			8	5125	46⅝	48¼	46⅝	
22⅞	19⅝	AMR pf2.18		9.6		9	22⅝	22½	22⅝	+⅛
14¼	7⅝	APL				25	9¾	9⅝	9⅝	
61⅛	44⅜	ASA		2	4 3	445	46⅞	46½	46¾	−¼
21	12½	AVX	.32	2.5	18	421	12¾	12¾	12⅞	−⅞
28⅛	16	AZP	2.72	11.	7	541	25¼	25	25	
30	36¾	AbtLab 1.40		2.6	15	1026	54⅝	53⅝	54⅜	+⅝
25⅞	18⅛	AccoWd .50		2.3	16	306	21¾	21½	21⅝	+¼
24¾	12½	AcmeC .40		2.6		x23	15⅝	15¼	15¼	−¼
10½	7⅛	AcmeE .32b		4.1	10	15	7¾	7¾	7¾	−⅛
19	15	AdaEx 1.92e		11.		85	18¼	18	18¼	
20	11⅞	AdmMl .32		1.8	7	54	17½	17¼	17½	−⅛
19½	8⅝	AdvSys .53t		4.5	18	18	12⅛	11⅞	11⅞	−⅛
41⅛	22⅛	AMD			17	3799	29¾	29½	29⅛	+⅛
12¾	6⅞	Advest .12		1.3	20	30	9⅛	9	9⅛	
15⅞	9½	Aerflex			13	29	14½	14¼	14½	−¼
49⅝	29⅝	AetnLf 2.64		5.8	16	2294	45⅞	45½	45⅞	−⅛
57⅜	52⅜	AetL pf5.79e		10.		24	56⅛	55¾	56⅛	−⅛
37⅛	19¼	Ahmns 1.20		4.0	6	1460	29⅞	29⅜	29⅞	+⅛
3⅜	2½	Aileen				2	2¾	2¾	2¾	
57	40⅝	AirPrd 1.20		2.2	12	695	56⅛	55⅜	55½	−⅞
[illegible]										

Continued on Page 37

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31	22½	PhilE	pf3.80	13.		z100	29½	29½	29½	+½
38½	25½	PhilE	pf4.40	13.		z200	35	34	34	−1¾
37½	26¾	PhilE	pf4.68	13.		z313	36	36	35	−2
87¼	51	PhilE	pf8.75	13.		z220	65	64	65	+1½
11½	9¼	PhilE	pf1.41	13.		80	10⅝	10⅛	10⅝	+⅛
10⅞	7⅞	PhilE	pf1.33	13.		80	10⅛	10	10	+¼
60½	44	PhilE	pf7.85	14.		z130	58	57½	57½	−1⅛
10¼	7½	PhilE	pf1.28	13.		116	9¾	9¼	9⅝	
125	99	PhilE	pf 17.13	14.		z260	121¼	120⅛	120⅜	−1⅝
74	52½	PhilE	pf9.50	14.		z50	69⅞	69⅞	69⅞	
60½	44	PhilE	pf7.80	14		z690	57	57	57	−½
68	43½	PhilE	pf7.75	14.		z100	56¼	56¼	56¼	−1⅜
23¼	15¼	PhilSub	1.32	6.9	11	26	19	18⅞	19	+⅛
85⅝	67½	PhilMr	4	4.8	10	3224	83	82½	82¾	+¼
25⅞	16⅞	PhilpIn	.60	2.5	13	308	24⅜	23½	24	+¼
62	26	PhilIn	pf 1	1.7		1	58	58	60	−4
16¾	11⅛	PhilPt	s .1	7.8	6	6870	12⅝	12⅜	12⅝	−⅛
24	22¾	PhilPt	pf			1485	23⅝	23⅜	23⅜	
28½	17⅜	PhilVH	.40	1.6	11	32	25	24⅞	24⅞	
35⅛	23¾	PiedA	s .28	.8	10	317	33½	33¼	33½	
34	23⅞	PieNG	2.32	7.4	9	14	31½	31¼	31¼	−⅛
25⅛	14⅜	Pier 1			16	220	24⅛	24	24	
56⅝	38⅝	Pilsbry	1.56	3.3	11	684	48¾	48	48	−⅝
34	21⅜	Pioneer	1.24	4.9	5	663	26	25½	25½	−¼
28⅝	13⅛	PionE	2.17r	1.2		53	14⅜	14⅜	14⅜	−¼
45½	27⅞	PitnyB	1.20	2.9	11	180	41½	41⅛	41⅜	
12¾	9⅝	Pittstn				459	12⅜	11⅝	11½	−¾
15⅛	8⅝	PlanRs	.20	1.4	15	72	14⅝	14½	14½	−⅛
13½	7	Plantrn	.16b	1.5	16	16	10¾	10½	10¾	+⅜
13⅝	8⅞	Playboy			8	11	9⅝	9⅜	9⅜	−⅛
23¾	14⅛	PogoPd	.60	4.0	35	573	15	14⅞	14⅞	
39⅜	24⅝	Polarid	1	3.2	122	1753	32	30⅝	31⅝	+⅝
21¼	10⅝	Pondrs	.40	3	27	154	12⅛	11⅝	12	+⅛
21½	15¼	PopTal	.60	4.1		x45	19¾	19⅜	19¾	+⅛
22½	14⅝	Portec	.40	1.8	37	98	22⅜	22¼	22¼	
21⅞	14	PortGE	1.90	9.9	8	706	19⅝	18⅞	19⅛	+⅜
24⅞	18¾	PorG	pf2.60	11.		36	24	23¾	23¾	−⅜
35⅝	29⅝	PorG	pf4.40	13.		24	34	33⅝	33⅝	
34⅝	29	PorG	pf4.32	13.		10	33¼	33⅛	33¼	
18½	14½	SavRE	.20	1.1	47	7	18¼	18¼	18¼	
22¼	15⅝	SavEP	1.68	8.5	7	47	19⅛	18¾	18⅞	−⅜
12½	9⅞	SavE	pf1.28	11.		15	11⅞	11⅞	11⅞	
8⅛	5	Savin				113	7¾	7⅜	7¾	
13¼	9¼	Savin	pf1.50	12.		2	12⅜	12⅜	12⅜	
28⅛	18½	SCANA	2.18	8.6	8	384	25¾	24¾	25⅜	
52½	33	SchrPlo	1.68	3.3	13	556	48	47⅛	47¼	−½
49¼	34½	Schlmb	1.20	3.1	10	2737	39	38⅝	38⅞	+¼
13¾	7¾	SciAtl	.12	.9	20	892	13⅛	12⅞	13	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21⅛	18⅞	TrnCan	1.12	6.0	6	68	18	18¾	18¾	−½
57¼	45	Transc	2.16b	4.8	6	759	43½	d44¾	44¾	−½
65½	50¼	Trnsc	pf3.87	7.2		70	54	54	54	−¼
25¾	16½	TranEx	2.36	11.		97	21⅜	21⅛	21¼	+⅛
13⅛	6	Transcn			7	50	3⅛	3	3	−⅛
85½	63	TrGP	pf6.65	8.2		z300	81¼	81¼	81¼	
102	90	TrG	pf 10.32	10.		z20	98⅞	98⅞	98⅞	−¼
98	77⅞	TrGP	pf8.64	9.2		z40	93⅞	93⅞	93⅞	
25½	32	TrGP	pf2.50	9.8		1	25¼	25¼	25¼	
13⅜	6⅝	TrnsOh			11	2	12	12	12	
38¼	29½	Tranwy	1.80	5.8	8	94	31⅛	31¾	31⅛	
41⅛	25⅝	Trnwld	.48	1.3	13	672	38⅛	38⅛	38¼	−⅛
23⅝	10½	Twld	wtA			5	21	21	21	+⅛
17¾	15⅞	Twld	pf 1.90	11.		5	17¾	17¾	17¾	
49¼	28½	Travler	2.04	4.8	10	6259	44⅞	44¼	44½	−¼
58½	50⅛	Trav	pf4.16	7.8		88	53½	53½	53½	−½

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55½	33¼	Xerox	3	5.6	29	1513	53⅜	52½	53⅛	+⅛
55	46½	Xerox	pf5.45	10.		10	54½	54½	54½	−¼
30¼	24⅝	ZaleCp	1.32	4.8	10	1	27⅝	27⅝	27⅝	−¼
21½	9⅜	Zapata	.84	8.6	18	243	9⅞	9¾	9¾	
57⅝	26⅛	Zayre	s .48	1.0	18	1342	50	48⅝	50	+1¼
80	17½	ZenithE			12	502	18⅞	19⅝	19⅝	−⅛
21⅞	15¾	Zero	s .32	1.6	17	88	20¼	20	20¼	−⅛
35⅝	22¾	Zurnin	1.32	3.8	11	116	35⅜	33¼	33⅝	+⅛

AMEX COMPOSITE PRICES

Prices at 3pm, July 30

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 35

WORLD VALUE OF THE DOLLAR every Friday in the Financial Times

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Determined attempt to recover

A DETERMINED effort was made on Wall Street yesterday to recover the ground lost in Monday's selloff as the corporate reporting season offered much for investors to digest.

An opening weakness was steadily overcome so that by midsession the broad market was barely changed.

By 3pm, however, the Dow Jones industrial average was up 2.13 at 1,345.99.

Massey Ferguson led the most active list with a $¼ gain to $2¼ while Texas Instruments, which fell $3⅜ on Monday following poor results, regained its composure to rally $1 ahead to $103½.

Aerospace issues were active again as Lockheed, which suffered a $2½ setback in the previous session, picked up $1 to $51⅜ and McDonnell Douglas declined $1¼ to $80¼. At the consumer end of the sector, Eastern Air Lines was actively bought with a $⅜ rise to $9⅜.

Computer and office equipment stocks were in demand as IBM shrugged off the previous day's fall to trade $⅝ higher to $130¼ in high volume and Digital Equipment recovered only $½ of its previous decline to $99¾.

Xerox, which reported strong second-quarter net profits, managed a $½ rise to $52¾. Storer Communications, which rebuffed a takeover approach from Comcast Corporation, lost $1⅛ to $85⅞.

U.S. Steel, the largest steel group in North America, firmed $⅛ to $30⅛ in active trading after reporting its first increase in dividend since mid-1982.

AT&T held steady at $21½ despite its announcement of joint venture plans with Ricoh to market small telephone systems in Japan.

CBS picked up $⅛ to $117¼ after Mr Ted Turner confirmed that he is trying to raise cash for a new bid for the broadcasting group.

On the American Stock Exchange, some of the most actively traded issues were unchanged: Wickes held at $4, Wang Laboratories at $17 and Texas Air at $18¾. Hasbro managed a $⅛ rally to $32¾ while Echo Bay dipped $¼ to $14.

Trading in the credit markets began quietly with investors still focusing on today's announcement from the Treasury of its latest quarterly refunding requirements. Analysts expect the planned sales of notes and bonds to total up to a record $23bn.

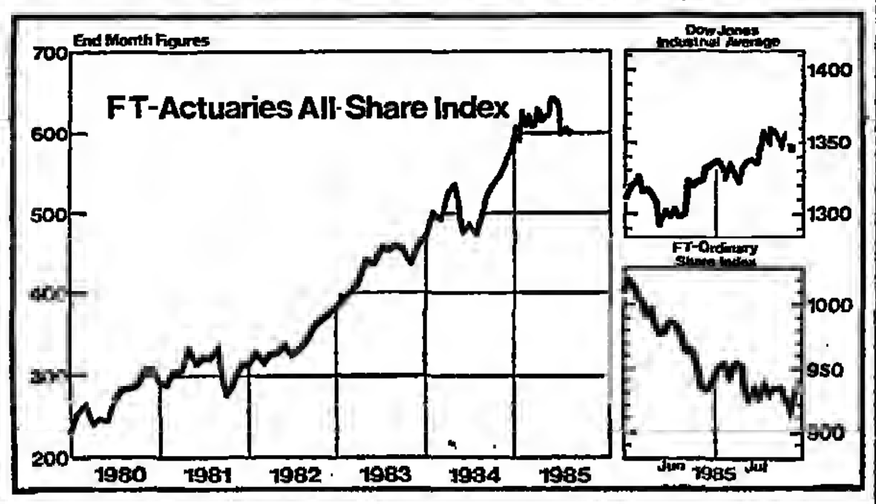
Little reaction was seen to the wider $13.42bn merchandise trade deficit in what was described as a thin market.

The Fed's announcement of matched sales and purchase agreements took many analysts by surprise. Fed funds were trading at 7 7/16 per cent when the Fed began its temporary drain of liquidity. Funds later traded at 7 11/16. At the long end, the price of the 11¼ per cent bond of 2015 was down 5/32 at 103 29/32.

Among the shorter maturities, yield on the three-month bill was higher at 7.25 while the six-month bill rose to 7.44.

In the money markets, rates of certificates of deposit were little changed.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 30	Previous	Year ago
NEW YORK			
DJ Industrials	1,345.99*	1,343.86	1,109.98
DJ Transport	681.06*	679.78	467.35
DJ Utilities	156.03*	155.25	123.84
S&P Composite	189.93*	189.60	150.19
LONDON			
FT Ord	936.0	932.4	790.5
FT-SE 100	1,252.3	1,248.9	996.5
FT-A All-share	603.46	601.91	474.83
FT-A 500	658.76	655.25	511.14
FT Gold mines	335.9	342.1	497.3
FT-A Long gilt	10.11	10.09	11.37
TOKYO			
Nikkei-Dow	12,269.89	12,591.42	10,013.60
Tokyo SE	1,006.1	1,044.30	765.10
AUSTRALIA			
All Ord.	933.5	934.7	682.3
Metals & Mins.	552.0	550.9	409.7
AUSTRIA			
Credit Aktien	94.69	96.01	53.42
BELGIUM			
Belgian SE	2,325.40	2,327.23	—
CANADA			
Toronto			
Metals & Minls	2,083.0*	2,108.18	1,710.00
Composite	2,771.1*	2,782.40	2,138.40
Montreal			
Portfolio	136.24*	137.37	104.53
DENMARK			
SE	n/a	216.48	185.7
FRANCE			
CAC Gen	213.2	215.2	158.9
Ind. Tendance	121.4	122.9	85.04
WEST GERMANY			
FAZ-Aktien	461.88	465.82	326.00
Commerzbank	1,355.9	1,367.7	943.5
HONG KONG			
Hang Seng	1,686.24	1,683.85	802.68
ITALY			
Banca Comm.	353.03	354.05	207.24
NETHERLANDS			
ANP-CBS Gen	217.0	217.8	148.5
ANP-CBS Ind	184.4	185.2	122.1
NORWAY			
Oslo SE	345.29	347.38	246.35
SINGAPORE			
Straits Times	773.98	777.45	932.60
SOUTH AFRICA	July 30	Prev	Yr ago
JSE Golds	–	902.6	837.0
JSE Industrials	–	966.3	829.1
SPAIN			
Madrid SE	101.85	111.78	94.26
SWEDEN			
J & P	1,382.79	1,353.55	1,499.90
SWITZERLAND			
Swiss Bank Ind	457.6	464.9	359.1
WORLD	July 29	Prev	Year ago
Capital Int'l	220.3	220.9	168.6

GOLD (per ounce)

	July 30	Prev
London	$325.75	$328.25
Zürich	$324.90	$326.75
Paris (fixing)	$324.44	$323.65
Luxembourg	$324.00	$322.40
New York (Aug)	$324.00	$324.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 30	U.S. DOLLAR Previous	STERLING July 30	STERLING Previous
$	–	–	1.423	1.429
DM	2.817	2.819	4.0	4.03
Yen	237.3	237.1	336.75	338.5
FFr	8.57	8.595	12.175	12.265
SwFr	2.2955	2.288	3.2575	3.27
Guilder	3.157	3.1755	4.4975	4.5325
Lira	1,892.5	1,897.0	2,683.0	2,707.0
BFr	56.85	58.85	80.8	81.25
C$	1.3509	1.349	1.9225	1.9255

INTEREST RATES

	July 30	Prev
Euro-currencies (3-month offered rate)		
£	11 9/16	11 7/16
SwFr	4⅞	4 15/16
DM	4 15/16	4 15/16
FFr	11⅞	11½
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 3/16	8¼
6-month U.S.$	8⅜	8½
U.S. Fed Funds	7 11/16*	7 9/16
U.S. 3-month CDs	7.80*	7.90
U.S. 3-month T-bills	7.26*	7.24

U.S BONDS

Treasury	July 30* Price	July 30* Yield	Prev Price	Prev Yield
8⅞ 1987	99 22/32	9.01	99 23/32	9.01
10⅜ 1992	99 15/32	10.477	99 15/32	10.50
11¼ 1995	103 20/32	10.639	103 18/32	10.65
11¼ 2015	104 1/32	10.78	104 1/32	10.79

Corporate	July 30* Price	July 30* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100¾	10.11	100¾	10.11
3⅞ July 1990	80¾	8.80	80¾	8.80
8¾ May 2000	83½	11.10	83½	11.10
Xerox				
10⅞ March 1993	96.85	11.30	96.85	11.30
Diamond Shamrock				
10⅜ May 1993	96.535	11.35	96.535	11.35
Federated Dept Stores				
10⅜ May 2013	83½	11.10	83½	11.10
Abbot Lab				
11.80 Feb 2013	101	11.75	101	11.75
Alcoa				
12¼ Dec 2012	100.50	12.25	100.50	12.25

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	74–11	74–31	74–06	74–20
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.62	92.74	92.58	92.68
Certificates of Deposit (IMM) $1m points of 100%				
Sept	91.88	92.03	91.87	91.95
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.68	91.71	91.58	91.61
20-year Notional Gilt £50,000 32nds of 100%				
Sept	113–17	113–25	113–10	113–23

COMMODITIES

(London)	July 30	Prev
Silver (spot fixing)	438.40p	437.45p
Copper (cash)	£1,081.00	£1,085.00
Coffee (Sept)	£1,540.00	£1,529.00
Oil (spot Arabian light)	$27.10	$27.10

EUROPE

Disinterest leads to retreat

THE RETREAT on the European bourses yesterday stemmed from the overnight setback on Wall Street which combined with thin levels of trading to produce sharp price falls in some centres.

Frankfurt led the overall decline as the Commerzbank index fell a further 11.8 points to 1,355.9 and export-oriented issues sustained another bruising session.

The dollar's downward path exposed leading carmakers – many of whom rely on the U.S. market for much of their overseas sales and profits – to another shakeout. Porsche fell DM 10 to DM 1,235 while Volkswagen suffered a proportionally more acute drop of DM 6 to DM 282. Daimler finished the session DM 5 cheaper at DM 819 ex-dividend.

Other blue chips to lose out were banks as Dresdner surrendered DM 5.50 to DM 281.50 and Deutsche Bank lost DM 4 to DM 553.50.

The absence of local support due to the current holiday season diluted interest and aggravated falls in other sectors. Allianz lost a hefty DM 57 to DM 1,295 while associate insurer Munich Re retreated DM 45 to DM 1,835.

In heavy engineers Linde turned DM 8.50 cheaper to DM 484 ex-rights and GHH finished DM 5.50 off at DM 159.

One of the few bright spots was the stores sector which resisted the sharp falls suffered elsewhere. Horten managed a DM 2.50 rally to DM 184 as Kaufhof and Karstadt held steady at DM 256.50 and DM 230 respectively.

Bond prices fell as much as 25 basis points in quiet trading amid news that the Finance Ministry had cut yields on several standing bond issues. The Bundesbank bought DM 72.8m in paper after Monday's sales of DM 4.8m.

Profit-taking took hold of banks and financials in a weaker Zurich as the recent consolidation phase continued. Exporters were particularly sensitive to currency fluctuations as Brown Boveri lost SwFr 60 to SwFr 1,650 and recently favoured Nestlé shed SwFr 100 to SwFr 8,680. Sandoz retreated SwFr 25 to SwFr 1,385 while Swissair weakened SwFr 50 to SwFr 1,335 on results.

Swiss Bank was marked SwFr 9 lower to SwFr 475 and Winterthur, which was noticeably weak on Monday, gave up a further SwFr 100 to SwFr 4,375. Leading banks cut their customer time deposit rates by ¼ percentage point to 4¼ effective today.

Amsterdam closed lower despite a firm undertone and continued pressure on internationals. The ANP-CBS General index slipped 0.8 to 217.0 as Royal Dutch shed Fl 2.10 to Fl 195. Akzo resisted the downturn as optimistic boardroom comments convinced investors of the long term profitability of the fibres group, which finished the session Fl 2.80 higher at Fl 123, a new high for the year.

Unilever retreated Fl 1 to Fl 346.50 although Philips picked up 10 cents to Fl 47.70.

Nedlloyd found strong support and the shipper closed Fl 3 ahead at Fl 177.50.

Bonds were largely unchanged although foreign buyers entered the market on a very selective basis.

Light trading also featured in **Madrid.** Easier banks moved against the firmer trend as Banco Popular suffered a fall of 11 percentage points to 330 per cent of nominal value. Banco Bilbao lost 3 points to 350 per cent, BHA dipped 2 points to 148 per cent. Banco Espanol de Credito picked up 1 point to 360 per cent.

Paris suffered from strong institutional selling while **Brussels** tended mixed in light trading. **Milan** languished in a holiday mood and a lacklustre **Stockholm** saw most leading industrials retreat.

CANADA

TORONTO stocks continued their slide, affected by Monday's 22 point drop in the composite index and mirroring Wall Street's overnight performance.

Among actives, Inco fell C$¼ to C$20, Majestic Contractors rose 5 cents to C$4.40 and International Thomson was unchanged at C$9⅜.

Southam, also active, gained C$½ to C$65. The company reported lower second-quarter operating profit.

Industrials moved ahead in Montreal, while banks and utilities tended lower.

SINGAPORE

AFTER two weeks of strong gains, Singapore turned lower. Trading was hampered by a mid-afternoon failure of the stock exchange computer and this brought activity to a standstill for the rest of the day.

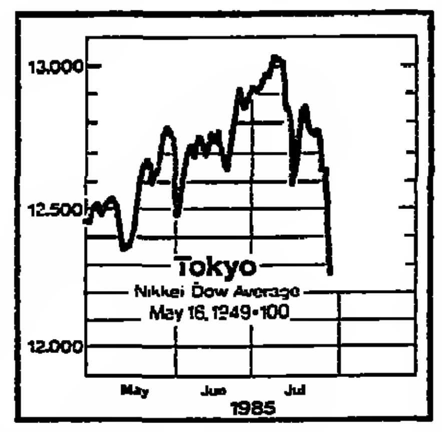
Among stocks to suffer from profit-taking were Cycle & Carriage, down 8 cents at S$2.56, Haw Par off 5 cents at S$2.18, Cerebos down by the same amount to S$1.95 and Pan-Electric 4 cents lower at S$2.20.

SOUTH AFRICA

IN THE wake of a weaker bullion price, gold shares ended easier in Johannesburg, pulling most shares down with them.

Vaal Reefs fell R7 to R163, Buffels R1.75 to R61.50 and Driefontein 50 cents to R42.

Industrials also tended lower.



TOKYO

Decline in confidence triggers fall

FLAGGING investor confidence combined with heavy selling by a major life insurance company sent share prices sharply lower in Tokyo yesterday with bank, hidden-asset, and large capital stocks leading the way, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average fell 321.53 points, its second largest ever one-day loss, to close at 12,269.89. With many investors moving to the sidelines, volume fell sharply to 464m shares from Monday's 678m. Declines outnumbered advances by 895 to 148 with 101 issues unchanged.

The setback was triggered early in the morning by heavy share selling by Sumitomo Life Insurance while investors were still preoccupied with Monday's decline in bank stocks, due mainly to Nippon Life Insurance's decision not to co-operate in Dai-Ichi Kangyo Bank's new share issues.

Sumitomo explained that it had sold only a little more than 2m shares in gas, trading and property companies which it had acquired through "specific money trust accounts" with trust banks.

The reaction was because buying by corporations with surplus liquidity, particularly through such trust accounts, has led the market since last spring. Even so, the across-the-board decline stemmed from small-lot sales, and follow-through selling by other corporations was not evident.

Price falls were particularly sharp for high-ranking city banks planning to raise large amounts of capital by October. Fuji Bank lost Y120 to Y1,600 and Sumitomo Bank the same amount to Y1,880. Dai-Ichi Kangyo Bank shed Y90 to Y1,610. Mitsubishi Trust and Banking moved the maximum Y200 down to Y1,290. Other trust banks and non-life insurance firms also eased. Nomura Securities moved Y90 down to Y1,220.

Elsewhere, domestic demand-related shares lost ground. Among hidden-asset issues, Mitsubishi Estate fell Y39 to Y880 and Nippon Express Y44 to Y450, Penta-Ocean Construction Y20 to Y430, and Ohbayashi Corporation Y22 to Y378.

Moving against the trend, Sato Kogyo rose Y18 to Y458, topping the active list with 31.85m shares. Sumitomo Construction also climbed Y27 to Y355 on speculative buying, second most active with 21.22m shares traded.

Among big-capital issues, Nippon Steel, third most active with 18.93m shares traded, lost Y6 to Y172, Mitsubishi Heavy Industries Y13 to Y332 and Tokyo Electric Power Y100 to Y2,080.

Some biotechnology-related issues fell back, with Dainippon Pharmaceutical slipping Y120 to Y3,230. Blue-chip stocks also eased on small-lot selling.

The bond market weakened in a bound of selling by city banks, trust banks and securities firms amid growing concern about continued falling bond prices in the U.S. The yield on the benchmark 8.8 per cent government bond due in December 1994 jumped to 6.48 per cent from Monday's 6.415 per cent.

AUSTRALIA

DESPITE another day of sharp gains for gold stocks in Sydney, most prices ended easier, discouraged by currency fears and poor performances overseas.

The gold index rose another 15.4 to a record 1,041.3. However, the All Ordinaries index eased by a marginal 1.2 to 933.5.

Gold miners continued to be bought by overseas investors withdrawing funds from South Africa. Higher international bullion prices were also an incentive.

Central Norseman rose 10 cents to A$9.60, GMK 40 cents to A$11.00, Metana 10 cents to A$3.25 and Renison 10 cents to A$5.20.

Repco, the car parts group, was keenly sought with more than 3.5m shares changing hands at the steady price of A$1.29. Rumours circulated that Ariadne may be about to launch a takeover bid.

Among miners, BHP eased 2 cents to A$6.62, CRA 4 cents to A$6.12 and MIM 5 cents to A$2.85 while CSR added 2 cents to A$3.18 and Bell Resources 6 cents to A$7.26.

LONDON

Hopes rise for a further cut in rates

HOPES that the trend towards lower interest rates would continue kept London moving higher yesterday, supported by sterling's resilience in the wake of Monday's reduction in bank borrowing charges.

Dealers were also hoping that the next set of money supply figures, due to be announced on Tuesday, would be more favourable.

Details of the Government's £450m sale of its remaining 48.8 per cent stake in Britoil, with shares offered at 185p, failed to disturb sentiment. Britoil shed 5p to 200p.

The subsequent announcement of NatWest's interim results did check the market's progress, however, and the share dropped 25p to 665p. The group's profits fell well short of estimates.

The FT Ordinary index finally settled up 3.8 for a two-day gain of nearly 12 points at 936.0.

Government securities also improved initially and selected stocks rose ⅜ before easing from the day's best. Longer-dated gilts were unusually neglected and often shed early improvements to close with scattered net losses.

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HONG KONG

RESUMING after Monday's holiday, Hong Kong turned mixed on late selective buying after opening easier on profit-taking after recent rallies.

The Hang Seng index failed to pierce the 1,700 level and ended only 2.66 up at 1,686.24.

Among properties, Cheung Kong rose 10 cents to HK$18.00, Hongkong Land was unchanged at HK$8.45 and Sun Hung Kai Properties shed 20 cents to HK$12.90.

In banks, Hang Seng Bank added 25 cents to HK$47.50 and Hongkong Bank 15 cents to HK$7.90. Bank of East Asia slipped 10 cents to HK$23.40.

Elsewhere, China Light fell 30 cents to HK$18.00 and Hutchison Whampoa 20 cents to HK$26.80. Jardine Matheson was unchanged at HK$12.90